

# SINO HOTELS (HOLDINGS) LIMITED



Yue Restaurant, City Garden Hotel

STOCK CODE: 1221

## ANNUAL REPORT 2008



Sino Hotels (Holdings) Limited

This annual report (“Annual Report”) is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to the Company’s Principal Registrars, Tricor Friendly Limited, 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 <http://www.sino.com>. Shareholders who have chosen to rely on copies of the Corporate Communications (including but not limited to annual report, summary financial report (where applicable), interim report, summary interim report (where applicable), notice of meeting, listing document, circular and proxy form) posted on the Company’s website in lieu of any or all the printed copies thereof may request the 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 to the Company’s Principal Registrars, Tricor Friendly Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong.

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## CORPORATE INFORMATION

### **Board of Directors**

Robert Ng Chee Siong, Chairman  
Ronald Joseph Arculli, GBS, CVO, OBE, JP#  
Gilbert Lui Wing Kwong#  
Peter Wong Man Kong, BBS, JP\*  
Adrian David Li Man-kiu\*  
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, 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

### **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** 10th November, 2008 to  
13th November, 2008  
(both dates inclusive)

**Annual General Meeting** 13th November, 2008

**Interim Dividend** HK2.6 cents per share  
Paid 16th May, 2008

**Final Dividend** HK3 cents per share  
Payable 12th December, 2008

**Last Date for lodging scrip dividend election forms** 4th December, 2008  
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.  
Sumitomo Mitsui Banking Corporation  
Hang Seng Bank Limited

### **Investor Relations Contact**

Please direct enquiries to:  
General Manager – Corporate Finance  
Telephone : (852) 2734 8312  
Fax : (852) 2369 1236  
E-mail : 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  
Internet : <http://www.sino.com>  
E-mail : info@sino.com

### **Registered Office**

Ugland House,  
P.O. Box 309,  
George Town, Grand Cayman,  
Cayman Islands,  
British West Indies

### **Principal Registrars**

Tricor Friendly Limited  
26th Floor, Tesbury Centre,  
28 Queen's Road East,  
Hong Kong  
Telephone : (852) 2980 1333  
Fax : (852) 2861 1465

### **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 13th day of November, 2008 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, 2008.
2. To declare a final dividend.
3. To re-elect retiring Directors and to authorise the Board to fix the Directors' remuneration.
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, 13th October, 2008

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

*Notes:*

- (a) At the Annual General Meeting, the Chairman of the Meeting will exercise his power under Article 79 of the Company's Articles of Association to 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, 10th November, 2008 to Thursday, 13th November, 2008, 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, 7th November, 2008.

## CHAIRMAN'S STATEMENT

I am pleased to present the 2007/2008 Annual Report to shareholders.

### FINAL RESULTS

The Group's audited consolidated net profit attributable to shareholders was HK\$104.0 million for the financial year ended 30th June, 2008, representing an increase of 21.4% compared with HK\$85.6 million in the previous year. The turnover of the Group was HK\$227.1 million, representing an increase of 9.8% compared with turnover of HK\$206.7 million for the previous year.

Earnings per share for the year were 12.20 cents, an increase of 20.1% compared with 10.15 cents last year.

The increase in earnings was mainly attributable to the continued improvement in business environment and visitor arrivals both in short-haul and long-haul markets. Both room revenue and food and beverage business recorded good and encouraging growth during the financial year 2007/2008.

### DIVIDENDS

The Directors recommend a final dividend in respect of the year ended 30th June, 2008 of 3 cents per share to shareholders whose names appear on the Register of Members of the Company on 13th November, 2008. Together with the interim dividend of 2.6 cents per share, the total dividend for the full year is 5.6 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 13th November, 2008; 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 17th November, 2008. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 12th December, 2008.



## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS

Visitor arrivals in Hong Kong continued to be strong increasing to 29.3 million for the 12-month period between 1st July, 2007 and 30th June, 2008, from 26.0 million for the previous 12-month period. The trend is expected to continue. While visitors from Mainland China continued to be the main contributor to the growth of the tourism industry in Hong Kong, visitors from other areas such as Europe, UK, Australia and South Korea were on the rise.

Benefiting from the tourism industry and continuous efforts by HKSAR Government in promoting Hong Kong for both leisure and business travels, the three hotels under the Group have performed well for the financial year 2007/2008.

#### **Business Activities**

##### *City Garden Hotel (100% owned)*

The average room occupancy rate of City Garden Hotel was 90.3% with the average room rate increasing by 7.4%. Room sales for the financial year 2007/2008 were HK\$155.7 million, representing an increase of 8.7% from HK\$143.2 million in the previous financial year. Food and beverage sales for the year were HK\$45.8 million, reflecting an increase of 18.0% over last year.

##### *Conrad Hong Kong (50% owned)*

The average room occupancy of Conrad Hong Kong recorded for the financial year 2007/2008 was 80.6%. The average room rate for the year increased by 7.4%. Room sales for the year were HK\$391.2 million which was 14.8% higher than that of last year whilst income from food and beverage sales for the year was HK\$321.0 million, an increase of 13.3%.

##### *Royal Pacific Hotel & Towers (25% owned)*

The average room occupancy rate of Royal Pacific Hotel & Towers was 86.0% for the financial year 2007/2008 while its average room rate showed an increase of 7.5%. Room sales for the year totalled HK\$223.7 million, an increase of 9.8% from HK\$203.6 million over the last financial year. Revenue from food and beverage sales was at HK\$74.4 million, representing an increase of 23.8% over last year.

Other than the above mentioned, there was no material change from the information published in the report and accounts for the year ended 30th June, 2007.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS *(Continued)*

#### Finance

As at 30th June, 2008, 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 11.0%. Of the total borrowings, 15.8% was repayable within one year and the remaining repayable after one year. The Group, including the attributable shares of its associates, held cash resources of approximately HK\$278.4 million, comprising cash on hand of approximately HK\$148.4 million together with committed undrawn facilities of approximately HK\$130.0 million. Our cash on hand is deposited with reputable banks of high credit ratings.

There was no material change in foreign currency borrowings and the capital structure of the Group for the year ended 30th June, 2008. 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, 2008, the Group did not have any material contingent liabilities.

Other than the abovementioned, there was no material change from the information published in the report and accounts for the year ended 30th June, 2007.

### SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

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

## CHAIRMAN'S STATEMENT *(Continued)*

### EMPLOYEE PROGRAMMES

As a caring employer, management strives for providing the best working environment and learning opportunities to our employees who are the paramount asset of the Group. To recognise employees' contribution and commitment, we continue to place significant importance on staff retention, recognition, training and development. We trust that our staff development initiatives can further enhance staff morale, commitment and job satisfaction.

The theme of "Service From The Heart" is cascading to every level of the Group's hotels. Driven by our guiding principle of "customer comes first", we do things right from the start and pledge to serve every customer with the highest levels of integrity, reliability and efficiency. As such, employees are given the opportunity to acquire new knowledge and skills by participating in various in-house and external training courses. Customer service training, language courses and grooming workshops all focus on enhancing valuable employee skills.

The Group continuously carries out the Sino Excellence Programme, which aims at understanding customers' expectation and enhancing customers' satisfaction. We encourage employees to participate in various communication meetings and experience sharing sessions so as to provide a platform for learning and communication across different staff levels. In addition, the Group established three award schemes namely "Employee of the Quarter", "Employee of the Year" and "Manager of the Year" to recognise and retain outstanding employees. We further provide structured training programmes to middle managers so as to equip them to be future leaders of our Hotel Group.

The Group will continue to encourage management and employees to participate in local community and charitable initiatives. The safety and protection of customers, employees and the surrounding environment are emphasised in all aspects of our business.

## CHAIRMAN'S STATEMENT *(Continued)*

### INDUSTRY OUTLOOK AND PROSPECTS

The World Tourism Organisation (UNWTO) estimated that international tourism will continue to grow positively at a long-term average rate in the range of 3-4% despite the volatile global economic environment. The recent economic adjustments with rising energy and commodity prices in most of the major economies may affect consumer confidence resulting in a decrease in leisure travels.

However, with the growth of the affluent class in Mainland China, Hong Kong being the financial and business centre and as the country's major trading partner, will enjoy the economic benefits that are derived from the growth thereby, stimulating more business travel and demand for conferences, exhibitions and corporate events. The strengthening of the Renminbi has stimulated Chinese travellers' desire to travel and spend. Further, the Individual Visit Scheme offered by 49 cities on the Mainland continues to contribute to Hong Kong's economy.

The HKSAR Government's efforts to continuously promote Hong Kong tourism industry by increasing number of attractions; restoring heritage buildings; revitalising certain historic areas and monuments as well as introducing various types of thematic travel attractions such as the 2008 Hong Kong Summer Temptations, "Visa 'Million Dollar' Lucky Draw", and 'weekend family travel' for people living in Guangdong province are the contributing factors to making Hong Kong a vibrant and interesting city for visitors. Establishing Hong Kong as a MICE (Meeting, Incentive, Convention and Exhibition) destination is conducive to increasing business travel. The award of Best MICE City given to Hong Kong by CEI Asia Pacific Magazine in January 2008 indicates that Hong Kong's conference support and quality of services have gained overseas recognition.

In addition, the 2008-09 HKSAR Government's Budget proposing to allocate adequate government spending for its overseas marketing network and to waive the Hotel Accommodation Tax are also positive to the growth of the hotel industry in Hong Kong. The development of a new cruise terminal at Kai Tak and the West Kowloon Cultural District will further enhance Hong Kong's appeal and attract more high value-added travellers.

Management congratulates the Central Government's successful completion of the Beijing 2008 Olympic Games. In Hong Kong, we are delighted to have been able to host the equestrian events and we share the joy of hosting the Olympic Games with all the Hong Kong people. The equestrian event has further established Hong Kong as an international city and the 2009 East Asian Games will make Hong Kong a focus of world attention.

The Group emphasises market positioning and brand enhancement for its hotels. Management makes continuous efforts to strengthen the competitiveness of the Group's hotels. The Group has carried out an asset enhancement programme to renovate the guest rooms and facilities of all of its hotels on an ongoing basis. The programme will make our hotels more appealing to our discerning guests. It also improves operational efficiency and optimises earnings. A plan is in place to renovate the last phase of the guest rooms in City Garden Hotel.

## CHAIRMAN'S STATEMENT *(Continued)*

### INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

Conrad Hong Kong has completed the renovation programme for all of its guest rooms, Nicholini's Italian restaurant and the Pacific Bar. The renovation of the remaining restaurants and shop is now in progress. The asset enhancement programme shall continue and ensure that the customers have enjoyable and comfortable stays with the hotel.

The Royal Pacific Hotel & Towers completed several renovation works during the financial year 2007/2008. These included renovation of guest rooms as well as the Pierside Restaurant and Bar. The newly renovated Pierside Restaurant and Bar offers a spectacular 180-degree sunset view of the Victoria Harbour overlooking Hong Kong Island and West Kowloon, making it an ideal venue for private and company parties as well as watching festive fireworks. In addition, the hotel has always been mindful of offering more choices of cuisine for the customers, a new restaurant named Satay Inn, serving Southeast Asian cuisines, opened during the financial year 2007/2008.

Looking forward, there will be some economic adjustments affecting the tourism industry in Hong Kong in the short-run due to volatility in the global economic environment but the adjustments may be offset by the continuing growth of Mainland China. Management will continue to plan well and work efficiently for the future. The Directors are confident in the medium to long term prospects of the Group.

### STAFF AND MANAGEMENT

I would like to welcome Mr. Nicholas Yim Kwok Ming who joined the Board as Executive Director with effect from 1st July, 2008.

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, 17th September, 2008

## BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

### (I) EXECUTIVE DIRECTORS

**Mr. Robert Ng Chee Siong**, aged 56, 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 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.

**Mr. Thomas Tang Wing Yung**, aged 53, 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 31 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 Sino Land.

**Mr. Daryl Ng Win Kong**, aged 30, an Executive Director of the Company since April 2005, holds a Bachelor of Arts Degree from Columbia University in New York. Mr. Ng first joined the Company as Executive (Development) in 2003. He 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 and a committee member of the Tenth All-China Youth Federation. He is the eldest son of the Chairman Mr. Robert Ng Chee Siong.

**Mr. Nicholas Yim Kwok Ming**, aged 56, 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 34 years of experience in hospitality industry in the United States, Taiwan, Mainland China and Hong Kong.

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

### (II) NON-EXECUTIVE DIRECTORS

**The Honourable Ronald Joseph Arculli**, GBS, CVO, OBE, JP, aged 69, 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 provide 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 and 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 Committee on the Review of Post-service Outside Work for Directorate Civil Servants, an Honorary Advisor of the Social Ventures Hong Kong Limited and a board member of The Hong Kong Mortgage Corporation Limited. He has a distinguished record of public service on numerous government committees and advisory bodies. The Honourable Ronald Arculli is an Independent Non-executive Director of Hang Lung Properties Limited and SCMP Group Limited, a Non-executive Director of Hongkong Electric Holdings Ltd., Hutchison Harbour Ring Limited and HKR International Limited.

**Mr. Gilbert Lui Wing Kwong**, aged 70, 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.

### (III) INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Peter Wong Man Kong**, BBS, JP, aged 59, 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.

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

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

**Mr. Adrian David Li Man-kiu**, aged 35, an Independent Non-executive Director since April 2005, is the General Manager and Head of Corporate Banking Division of The Bank of East Asia, Limited since 2000. He is also an Independent Non-executive Director of Sino Land and TST Properties. He is a member of the Ninth and Tenth Guangdong Provincial Committee and was formerly a member of the Ninth and Tenth Guangzhou Committee of the Chinese People's Political Consultative Conference, P.R.C.. He is also a committee member of the Ninth and Tenth All-China Youth Federation and the Deputy Chairman of the Ninth Beijing Municipality Youth Federation. In addition, he is the Council Member of the Vocational Training Council, a member of the Advisory Board and Chairman of the Investment Committee of the Hong Kong Export Credit Insurance Corporation and a member of the Mandatory Provident Fund Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He also sits on the Board of Ocean Park Corporation and is an Independent Non-executive Director of China State Construction International Holdings Limited. Further, he is an Alternative Independent Non-executive Director of San Miguel Brewery Hong Kong Limited and AFFIN Holdings Berhad, the latter is listed on the main board of the Malaysia Stock Exchange. Mr. Li holds a Master Degree in management from Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, US, a Master Degree of Arts and a Bachelor Degree of Arts in Law from the University of Cambridge. He is a member of The Law Society of England and Wales and The Law Society of Hong Kong.

**Mr. Steven Ong Kay Eng**, aged 62, an Independent Non-executive Director since July 2005, is a Director of Altrade Investments Pte. Ltd. in Singapore. He is also an Independent Non-executive Director of TST Properties. He is also 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 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

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 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, 2008 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, GBS, CVO, OBE, JP

Mr. Gilbert Lui Wing Kwong

##### *Independent Non-executive Directors*

Mr. Peter Wong Man Kong, BBS, JP

Mr. Adrian David Li Man-kiu

Mr. Steven Ong Kay Eng

Biographical details of the Directors and their relationships, where applicable, are contained on pages 12 to 14 “Biographical Details of Directors & Senior Management”.

## **CORPORATE GOVERNANCE** *(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, 2008, the Board had held four meetings and the attendance records of the Directors are set out on page 21.

##### **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 2008 annual general meeting are set out on page 23.

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

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

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

## CORPORATE GOVERNANCE *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

##### **Emolument Policy**

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

##### **Remuneration Committee**

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

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.

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 21.

The written terms of reference of the Remuneration Committee are available at the Company's website [www.sino.com](http://www.sino.com).

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

## CORPORATE GOVERNANCE *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### 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 judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Board is responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

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, 2008 is set out on page 38.

##### **Internal Controls and Risk Management**

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

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

Under the Group's internal control and risk management framework, twice a year each major operation unit or department identifies major risks, assesses and evaluates the risks according to 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 may perform further operational and financial reviews, make 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 will be enhanced and post-audit review may be conducted, where appropriate. The Internal Audit Department will summarize the results which will be reported to the Audit Committee, whom will then report to the Board.

During the year, the Board has reviewed the Company's systems of internal controls and risk management and was satisfied that the systems are effective and adequate for their purposes.

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

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

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

##### **Audit Committee**

The Company set up its Audit Committee on 16th September, 1998. 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 internal controls. The Committee comprises Mr. Adrian David Li Man-kiu (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 2007 annual report and accounts, the 2007/2008 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, 2008. The attendance records of individual Committee member are set out on page 21.

The written terms of reference of the Audit Committee are available at the Company's website [www.sino.com](http://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. A secondary reporting line is to the Audit Committee. The existing Committee comprises the Executive Directors, the two 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 *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

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

##### **Codes on 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 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, 2008.

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, 2008 amounted to HK\$723,500 and HK\$337,500 respectively. The non-audit services mainly consist of taxation, 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 *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

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

##### Directors' Attendance Records for meetings held during the financial year ended 30th June, 2008

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, GBS, CVO, OBE, JP	3/4	–	–
Mr. Gilbert Lui Wing Kong	4/4	4/4	–
Mr. Peter Wong Man Kong, BBS, JP	3/4	4/4	1/1
Mr. Adrian David Li Man-kiu	4/4	4/4	1/1
Mr. Steven Ong Kay Eng	4/4	4/4	–
Mr. Thomas Tang Wing Yung	3/4	–	–
Mr. Daryl Ng Win Kong	4/4	–	1/1
Mr. Nicholas Yim Kwok Ming (appointed on 1st July, 2008)	–	–	–

## DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2008.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

### SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2008 are set out in notes 30 and 16, respectively, to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 40.

An interim dividend of HK2.6 cents per share amounting to HK\$22,215,803 was paid to shareholders during the year. The Directors now recommend a final dividend of HK3 cents per share amounting to HK\$25,793,875 payable to shareholders whose names appear on the Register of Members of the Company on 13th November, 2008.

### 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, 2008 consisted of share premium, distributable reserve and retained profits totaling HK\$2,241,875,880 (2007: HK\$2,239,037,803).

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, 2008, the Group's bank loans accounted for 9.5% 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)*

### 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 (appointed on 1st July, 2008)

#### *Non-executive Directors*

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

#### *Independent Non-executive Directors*

Mr. Peter Wong Man Kong, BBS, JP  
Mr. Adrian David Li Man-kiu  
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 Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP, Mr. Adrian David Li Man-kiu, Mr. Steven Ong Kay Eng, Mr. Daryl Ng Win Kong and Mr. Nicholas Yim Kwok Ming will retire at the forthcoming Annual General Meeting and, who being eligible, will offer themselves for re-election.

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS

As at 30th June, 2008, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### 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	919,001	Beneficial owner of 231,640 shares and spouse interest in 687,361 shares	0.10%
The Honourable Ronald Joseph Arculli, GBS, CVO, 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	–	–	–
Mr. Steven Ong Kay Eng	–	–	–
Mr. Thomas Tang Wing Yung	–	–	–
Mr. Daryl Ng Win Kong	–	–	–

Save as disclosed above, as at 30th June, 2008, 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)*

### **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**

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

Mr. Robert Ng Chee Siong held share interests and directorships and Mr. Daryl Ng Win Kong and Mr. Thomas Tang Wing Yung held directorships in companies of Ng Family (including Mr. Ng Teng Fong, Mr. Robert Ng Chee Siong and their respective associates) which engage in business of hotel operation.

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

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

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Details of Directors' interests in contracts of significance are set out in note 29 to the consolidated financial statements.

Other than as disclosed in note 29 to the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **SERVICE CONTRACTS**

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

### CONNECTED TRANSACTIONS

#### Existing Continuing Connected Transactions up to 30th June, 2008

##### (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 Group and Sino Land Company Limited or its subsidiaries ("Sino Land Group") (being an associate of the Ng Family (including Mr. Ng Teng Fong, Mr. Robert Ng Chee Siong and their respective associates) for the three financial years commencing from 1st July, 2007 and ending 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, 2008 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 Company

Nature of transactions: Provision of security guard services by Sino Land Group to properties owned or partly owned 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 of the property, nature of the property, location of the property, complexity of the work, image, degree of competition and length of the contract. In general, for indicative purpose, the current profit margin for the services provided ranges from 1% to 25% for particular properties based on the abovementioned factors.

Annual cap: HK\$2.5 million

Total consideration for the year: HK\$1.46 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.

## DIRECTORS' REPORT *(Continued)*

### CONNECTED TRANSACTIONS *(Continued)*

#### Existing Continuing Connected Transactions up to 30th June, 2008 *(Continued)*

##### (A) Security Guard Services *(Continued)*

The 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) Provision of Clubhouse Management Services

On 6th August, 2007, the Company announced that Bright Tower (HK) Limited ("Bright Tower"), a wholly-owned subsidiary of the Company, was awarded a clubhouse management contract ("Clubhouse Management Contract") by tender, pursuant to which Bright Tower agreed to manage the clubhouse of Pacific Palisades for the period from 1st March, 2007 to 28th February, 2009. Particulars of such contract together with the total consideration for the year ended 30th June, 2008 are disclosed herein as required under the Listing Rules:

Party A:	Bright Tower, a wholly-owned subsidiary of the Company
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 service by Bright Tower to the clubhouse of the Pacific Palisades
Service fee:	HK\$265,000 per month and payable on a monthly basis
Annual cap (and basis thereof):	HK\$3.18 million for the period from 1st July, 2007 to 30th June, 2008 (i.e. HK\$265,000 x 12 months)  HK\$2.12 million for the period from 1st July, 2008 to 28th February, 2009 (i.e. HK\$265,000 x 8 months)
Total consideration for the year:	HK\$3.18 million

The monthly service fee payable by SEM to Bright Tower under the 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.

## DIRECTORS' REPORT *(Continued)*

### CONNECTED TRANSACTIONS *(Continued)*

#### Existing Continuing Connected Transactions up to 30th June, 2008 *(Continued)*

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

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 the 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 Clubhouse Management Contract constituted a continuing connected transaction of the Company pursuant to the Listing Rules.

The Company is a leading service provider of hotel management and club management services. The Board 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 and have been reviewed by the Directors of the Company (including the Independent Non-executive Directors). The Independent Non-executive Directors have 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 connected transactions are set out in the respective announcements and available in the Company's corporate website, [www.sino.com](http://www.sino.com).

Details of other related party transactions are set out in Note 29 to the consolidated financial statements.

## DIRECTORS' REPORT *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2008, 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	404,103,972 <i>(Note 1)</i>	Beneficial owner of 35,543,090 shares, spouse interest in 986,094 shares and interest of controlled corporations in 367,574,788 shares	46.99%
Tamworth Investment Limited	143,342,613 <i>(Note 2)</i>	Beneficial owner	16.67%
Strathallan Investment Limited	96,528,688 <i>(Note 2)</i>	Beneficial owner	11.22%
Name of Other Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Solid Capital Holdings Limited	83,087,978 <i>(Note 3)</i>	Security interest in 82,725,739 shares and beneficial owner of 362,239 shares	9.66%
Nippomo Limited	47,755,327 <i>(Note 2)</i>	Beneficial owner	5.55%

## DIRECTORS' REPORT (Continued)

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

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

Notes:

1. As regards 367,574,788 shares held by controlled corporations:
  - (a) 365,928,301 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 35,477,071 shares by Fanlight Investment Limited, 50,455 shares by Garford Nominees Limited, 15,320,118 shares by Karaganda Investments Inc., 47,755,327 shares by Nippomo Limited, 1,392,853 shares by Orient Creation Limited, 96,528,688 shares by Strathallan Investment Limited, 4,151,208 shares by Strong Investments Limited, 143,342,613 shares by Tamworth Investment Limited and 21,909,968 shares by Transpire Investment Limited; and
  - (b) 1,646,487 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which Mr. Ng Teng Fong had a 71.76% control.
2. The interests of Tamworth Investment Limited, Strathallan Investment Limited and Nippomo Limited were duplicated in the interests of Mr. Ng Teng Fong.
3. 19,889 shares were held by Meadow Gate Company Limited which is 70% controlled by Solid Capital Holdings Limited.

Save as disclosed above and so far as the Directors of the Company are aware of, as at 30th June, 2008, 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 for all qualifying employees. The assets of the scheme are held separately from those of the Group, in fund under the control of trustee.

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

### 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' REPORT** *(Continued)*

### **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 15 to 21.

### **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 at all times 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, 17th September, 2008

Conrad Hong Kong



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

Towering from 40th to 61st floor, Conrad Hong Kong features 513 deluxe 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.



# Royal Pacific Hotel & Towers

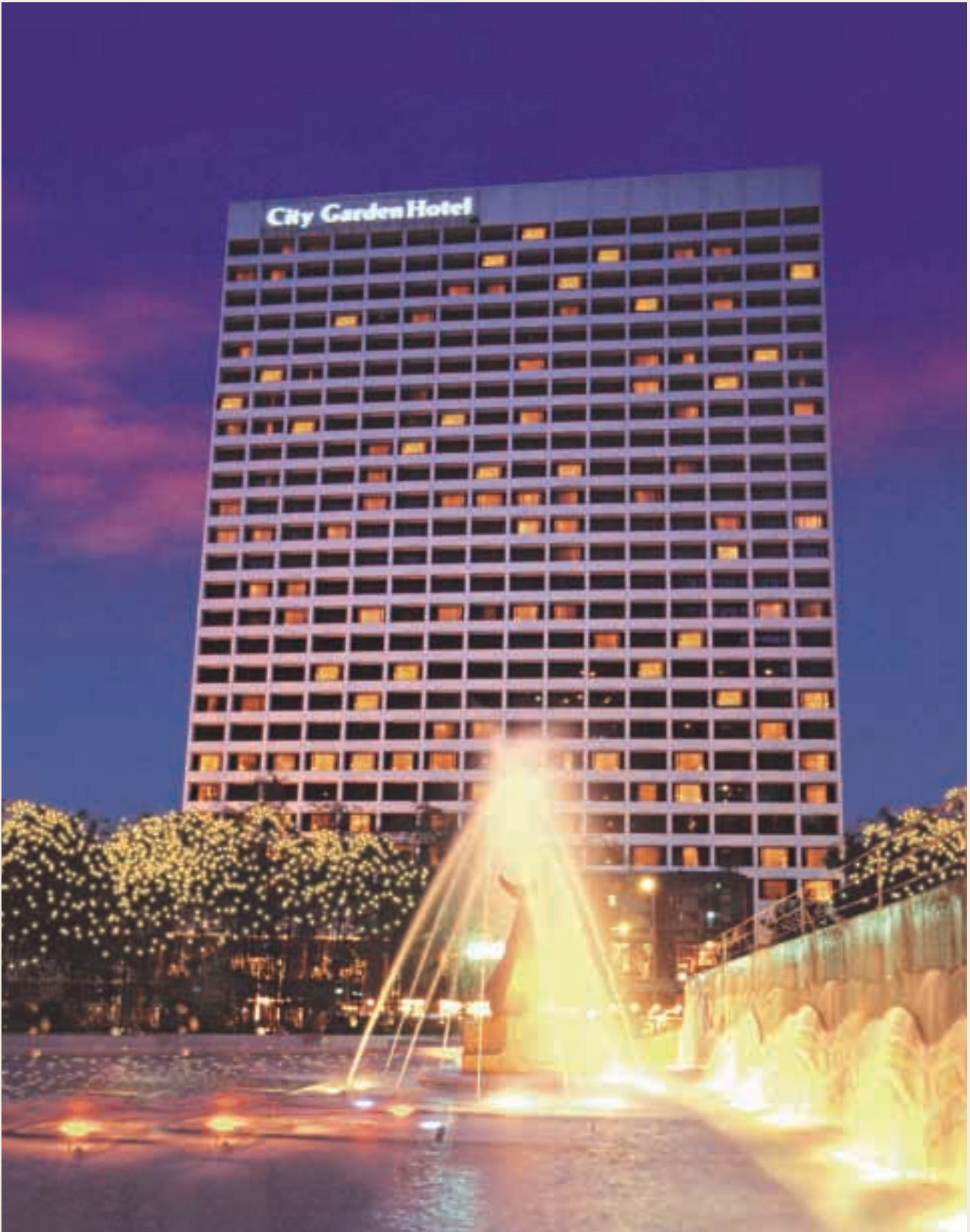


At the centre of the commercial, entertainment and shopping district on Canton Road, Tsim Sha Tsui stands the recently rejuvenated 673-room The Royal Pacific Hotel and Towers.

Known for its postcard harbour and park views, the Royal Pacific's guestrooms, Business Centre and Executive Club Lounge have been given a stylish contemporary new look, offering 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 functions. The newly renovated 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 the brand new Café on the Park for all day dining, Pierside with international cuisines and Satay Inn for Asian delicacies in a relaxing alfresco setting.

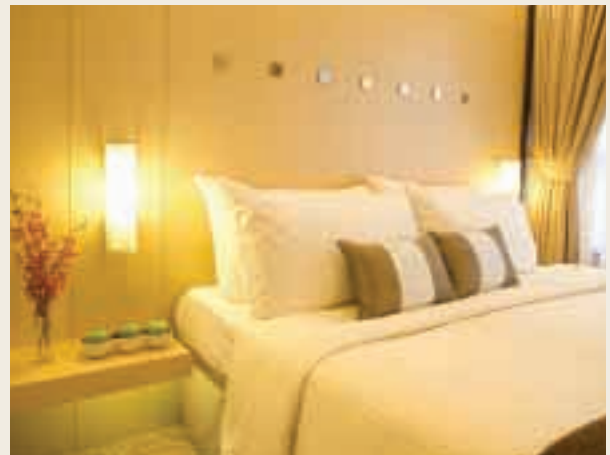


# City Garden Hotel



Towering over busy North Point and only minutes from the MTR Fortress Hill Station, the 613-room City Garden Hotel has recently undergone a facelift in its guestrooms, creating space and comfort in serving the needs of today's discerning travelers.

Whether for business or leisure, the hotel offers a comprehensive range of facilities including an outdoor swimming pool and Jacuzzi, a gym, a Business Centre and meeting spaces. Guests staying at the City Garden will find the hotel's dining and leisure facilities a pleasurable experience. The hotel boasts three restaurants and a bar including an all day dining Garden Café, a brand new Cantonese restaurant YUE, an Asian restaurant, Satay Inn, serving authentic Singaporean and Malaysian cuisine and a nautically themed pub, The Admiral's Bar, with live band performances.



## INDEPENDENT AUDITOR'S REPORT



### **TO THE SHAREHOLDERS OF SINO HOTELS (HOLDINGS) LIMITED** *(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 40 to 77, which comprise the consolidated balance sheet as at 30th June, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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, 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, 2008 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  
17th September, 2008

## CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2008

	NOTES	2008 HK\$	2007 HK\$
Revenue	4	227,164,184	206,726,887
Direct costs		(61,521,903)	(54,953,795)
Marketing costs		(8,491,449)	(7,896,097)
Administrative expenses		(18,908,076)	(18,648,177)
Other expenses		(72,805,759)	(58,940,468)
Finance income	6	4,236,223	5,375,128
Finance costs	7	(32,570,046)	(42,309,786)
Net finance costs		(28,333,823)	(36,934,658)
Share of results of associates		75,882,268	64,546,085
Profit before taxation	8	112,985,442	93,899,777
Income tax expense	9	(8,967,648)	(8,213,373)
Profit for the year		<u>104,017,794</u>	<u>85,686,404</u>
Dividends	12	<u>46,006,400</u>	<u>42,193,863</u>
Earnings per share – basic	13	<u>12.20 cents</u>	<u>10.15 cents</u>

## CONSOLIDATED BALANCE SHEET

At 30th June, 2008

	NOTES	2008 HK\$	2007 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	351,713,894	347,916,851
Prepaid lease payments – non-current	15	1,223,839,521	1,246,057,485
Interests in associates	16	1,165,667,387	1,089,785,119
Available-for-sale financial assets	17	624,857,271	722,333,008
Pledged fixed deposit	18	1,541,644	1,493,370
		<u>3,367,619,717</u>	<u>3,407,585,833</u>
<b>CURRENT ASSETS</b>			
Hotel inventories		504,132	423,728
Trade and other receivables	19	9,476,033	8,480,423
Prepaid lease payments – current	15	22,217,964	22,217,964
Amounts due from associates	20	225,173,790	221,303,581
Bank balances and cash	18	37,736,941	43,747,262
		<u>295,108,860</u>	<u>296,172,958</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	30,837,977	16,467,635
Amount due to an associate	20	70,179	75,999
Tax payable		13,778,568	5,827,806
Bank loans and other borrowings	22	56,169,668	56,169,668
		<u>100,856,392</u>	<u>78,541,108</u>
<b>NET CURRENT ASSETS</b>		<u>194,252,468</u>	<u>217,631,850</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,561,872,185</u>	<u>3,625,217,683</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	23	859,795,843	849,664,182
Reserves		1,973,992,757	1,988,540,086
		<u>2,833,788,600</u>	<u>2,838,204,268</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings	22	297,217,576	373,877,065
Amount due to an associate	24	426,410,884	410,207,492
Deferred taxation	25	4,455,125	2,928,858
		<u>728,083,585</u>	<u>787,013,415</u>
		<u>3,561,872,185</u>	<u>3,625,217,683</u>

The consolidated financial statements on pages 40 to 77 were approved and authorised for issue by the Board of Directors on 17th September, 2008 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, 2008

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$ (Note)	Distributable reserve HK\$	Retained profits (accumulated losses) HK\$	Total HK\$
At 1st July, 2006	841,852,008	135,996,864	52,248,578	1,514,342,941	(60,978,486)	2,483,461,905
Gains on fair value changes of available-for-sale financial assets recognised directly in equity	-	-	270,641,494	-	-	270,641,494
Profit for the year	-	-	-	-	85,686,404	85,686,404
Total recognised income for the year	-	-	270,641,494	-	85,686,404	356,327,898
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2006	4,219,322	16,944,798	-	-	-	21,164,120
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2007	3,592,852	16,117,537	-	-	-	19,710,389
Share issue expenses	-	(266,181)	-	-	-	(266,181)
Dividends	-	-	-	(42,193,863)	-	(42,193,863)
At 30th June, 2007	849,664,182	168,793,018	322,890,072	1,472,149,078	24,707,918	2,838,204,268
Losses on fair value changes of available-for-sale financial assets recognised directly in equity	-	-	(106,911,091)	-	-	(106,911,091)
Profit for the year	-	-	-	-	104,017,794	104,017,794
Total recognised income for the year	-	-	(106,911,091)	-	104,017,794	(2,893,297)
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2007	4,789,792	18,335,324	-	-	-	23,125,116
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2008	5,341,869	16,271,333	-	-	-	21,613,202
Share issue expenses	-	(254,289)	-	-	-	(254,289)
Dividends	-	-	-	(46,006,400)	-	(46,006,400)
<b>At 30th June, 2008</b>	<b>859,795,843</b>	<b>203,145,386</b>	<b>215,978,981</b>	<b>1,426,142,678</b>	<b>128,725,712</b>	<b>2,833,788,600</b>

Note: The investment revaluation reserve movement results from a change in fair value of available-for-sale financial assets.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June, 2008

	2008 HK\$	2007 HK\$
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	112,985,442	93,899,777
Adjustments for:		
Share of results of associates	(75,882,268)	(64,546,085)
Scrip dividend income	(9,435,354)	(8,277,561)
Depreciation of property, plant and equipment	11,729,999	11,603,296
Release of prepaid lease payments	22,217,964	22,217,964
Finance income	(4,236,223)	(5,375,128)
Finance costs	32,570,046	42,309,786
Loss on disposal of property, plant and equipment	12,031,227	–
Operating cash flows before movements in working capital	101,980,833	91,832,049
(Increase) decrease in hotel inventories	(80,404)	23,136
Increase in trade and other receivables	(995,610)	(990,545)
Increase in trade and other payables	14,332,551	1,750,562
Decrease in amount due to an associate	(5,820)	(5,820)
Cash generated from operations	115,231,550	92,609,382
Hong Kong Profits Tax paid	(857,925)	(3,505,367)
Hong Kong Profits Tax refunded	1,367,306	–
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>115,740,931</b>	<b>89,104,015</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(27,558,269)	(1,919,252)
(Advances to) repayments from associates	(3,870,209)	75,860,378
Increase in pledged fixed deposit	(48,274)	(59,391)
Interest received	4,236,223	5,276,303
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(27,240,529)</b>	<b>79,158,038</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank loans and other borrowings	(77,499,489)	(411,313,067)
Interests and other finance costs paid	(31,692,255)	(46,261,934)
Dividend paid	(1,268,082)	(1,319,354)
Share issue expenses	(254,289)	(266,181)
Advance from an associate	16,203,392	308,840,620
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(94,510,723)</b>	<b>(150,319,916)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,010,321)</b>	<b>17,942,137</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>43,747,262</b>	<b>25,805,125</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,</b> represented by bank balances and cash	<b>37,736,941</b>	<b>43,747,262</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June, 2008

## 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 30.

## 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, for the first time, a number of new standard, amendment to Hong Kong Accounting Standards ("HKAS") and interpretations ("HK(IFRIC) – Int") ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st July, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in the prior period under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

For the year ended 30th June, 2008

### 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.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>5</sup> Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

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

For the year ended 30th June, 2008

### 3. PRINCIPAL 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.

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 balance sheet 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.



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

For the year ended 30th June, 2008

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

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

##### *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 recognized at the date of acquisition. From 1st January, 2005 onwards, the Group has discontinued amortization of goodwill, and such goodwill is included within the carrying amount of the investment and is 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 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 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.

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

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

For the year ended 30th June, 2008

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

#### **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 value, 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 losses on tangible assets**

At each balance sheet date, 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 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 as income immediately in profit or loss.

#### **Hotel inventories**

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

#### **Borrowing costs**

All other borrowing costs are recognised as expense in the year 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 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.

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

For the year ended 30th June, 2008

### 3. PRINCIPAL 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.

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

For the year ended 30th June, 2008

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

#### **Taxation** *(Continued)*

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.

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 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 of the financial assets at initial recognition.

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

For the year ended 30th June, 2008

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

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

##### Financial assets *(Continued)*

##### *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 and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on 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. 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 (see accounting policy on impairment loss on financial assets below).

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. 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 and other receivables and amounts due from associates, 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.

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

For the year ended 30th June, 2008

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

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

##### Financial assets *(Continued)*

##### *Impairment of financial assets* *(Continued)*

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 and other receivables and amounts due from associates, 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 losses 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 equity.

##### Financial liabilities and equity

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

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

##### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

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

For the year ended 30th June, 2008

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

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

##### Financial liabilities and equity *(Continued)*

##### *Financial liabilities*

Financial liabilities (including trade and other payables, amounts due to associates, 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. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 4. REVENUE

	2008 HK\$	2007 HK\$
Hotel operations and management	209,346,604	190,640,742
Club operations	8,382,226	7,808,584
Dividend income from available-for-sale financial assets	9,435,354	8,277,561
	<u>227,164,184</u>	<u>206,726,887</u>

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### (a) Business segments

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

Principal activities are as follows:

- Hotel operations and management – mainly own and operate hotels
- Club operations – operate a club
- Investment holding – hold strategic investments

Segment information about these businesses is presented below.

#### CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2008

	Hotel operations and management HK\$	Club operations HK\$	Investment holding HK\$	Consolidated HK\$
REVENUE	<u>209,346,604</u>	<u>8,382,226</u>	<u>9,435,354</u>	<u>227,164,184</u>
RESULT				
Segment result	<u>58,758,835</u>	<u>1,620,136</u>	<u>9,429,876</u>	69,808,847
Unallocated corporate expenses				(4,371,850)
Finance income				4,236,223
Finance costs				(32,570,046)
Share of results of associates	75,882,268	–	–	<u>75,882,268</u>
Profit before taxation				112,985,442
Income tax expense				<u>(8,967,648)</u>
Profit for the year				<u>104,017,794</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### (a) Business segments (Continued)

##### CONSOLIDATED BALANCE SHEET

At 30th June, 2008

	Hotel operations and management HK\$	Club operations HK\$	Investment holding HK\$	Consolidated HK\$
<b>ASSETS</b>				
Segment assets	<b>1,607,661,344</b>	<b>1,111,481</b>	<b>624,857,271</b>	<b>2,233,630,096</b>
Interests in associates	<b>1,165,667,387</b>	–	–	<b>1,165,667,387</b>
Unallocated corporate assets				<b>263,431,094</b>
				<hr/>
Consolidated total assets				<b><u>3,662,728,577</u></b>
<b>LIABILITIES</b>				
Segment liabilities	<b>29,262,283</b>	<b>1,171,288</b>	<b>6,000</b>	<b>30,439,571</b>
Unallocated corporate liabilities				<b>798,500,406</b>
				<hr/>
Consolidated total liabilities				<b><u>828,939,977</u></b>

##### OTHER INFORMATION

For the year ended 30th June, 2008

	Hotel operations and management HK\$	Club operations HK\$	Consolidated HK\$
Capital additions	<b>27,506,466</b>	<b>51,803</b>	<b>27,558,269</b>
Depreciation of property, plant and equipment	<b>11,704,730</b>	<b>25,269</b>	<b>11,729,999</b>
Release of prepaid lease payments	<b>22,217,964</b>	–	<b>22,217,964</b>
Loss on disposal of property, plant and equipment	<b>12,031,227</b>	–	<b>12,031,227</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### (a) Business segments (Continued)

##### CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2007

	Hotel operations and management HK\$	Club operations HK\$	Investment holding HK\$	Consolidated HK\$
REVENUE	<u>190,640,742</u>	<u>7,808,584</u>	<u>8,277,561</u>	<u>206,726,887</u>
RESULT				
Segment result	<u>61,272,992</u>	<u>1,433,033</u>	<u>8,272,626</u>	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	–	–	<u>64,546,085</u>
Profit before taxation				93,899,777
Income tax expense				<u>(8,213,373)</u>
Profit for the year				<u>85,686,404</u>

##### CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	Hotel operations and management 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	–	–	1,089,785,119
Unallocated corporate assets				<u>265,234,862</u>
Consolidated total assets				<u>3,703,758,791</u>
LIABILITIES				
Segment liabilities	15,288,074	1,217,918	6,000	16,511,992
Unallocated corporate liabilities				<u>849,042,531</u>
Consolidated total liabilities				<u>865,554,523</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### (a) Business segments (Continued)

##### OTHER INFORMATION

For the year ended 30th June, 2007

	Hotel operations and management 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

#### (b) Geographical segments

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 and all the assets are located in Hong Kong.

### 6. FINANCE INCOME

	2008 HK\$	2007 HK\$
Interest income on:		
Advance to an associate	3,595,488	4,204,597
Bank deposits	640,735	1,071,706
Others	–	98,825
	<u>4,236,223</u>	<u>5,375,128</u>

### 7. FINANCE COSTS

	2008 HK\$	2007 HK\$
Interests and other finance costs on:		
Bank loans wholly repayable within five years	16,191,181	27,904,278
Advance from an associate	16,203,392	14,090,620
Other unsecured loans	175,473	314,888
	<u>32,570,046</u>	<u>42,309,786</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 8. PROFIT BEFORE TAXATION

	2008 HK\$	2007 HK\$
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 10)	605,668	604,000
Other staff costs	57,588,840	52,125,059
Contributions to retirement benefit scheme	2,374,519	2,640,464
	<hr/>	<hr/>
Total staff costs	60,569,027	55,369,523
Auditor's remuneration		
Audit services		
Current year	666,500	578,000
Underprovision in prior years	57,000	8,500
	<hr/>	<hr/>
	723,500	586,500
Non-audit services	337,500	293,000
	<hr/>	<hr/>
	1,061,000	879,500
Cost of hotel inventories recognised as an expense	13,556,767	11,381,699
Depreciation of property, plant and equipment	11,729,999	11,603,296
Loss on disposal of property, plant and equipment (included in other expenses)	12,031,227	–
Net foreign exchange losses	–	354,902
Repairs and maintenance in respect of hotel properties	2,830,906	3,283,003
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)	50,497,261	14,945,468
and after crediting:		
Rental income in respect of premises, net of negligible outgoings	1,595,135	2,836,323
	<hr/>	<hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 9. INCOME TAX EXPENSE

	2008 HK\$	2007 HK\$
Income tax expense comprises:		
Hong Kong Profits Tax calculated at 16.5% (2007: 17.5%) on estimated assessable profit		
Current year	7,439,797	7,257,568
Under (overprovision) in prior years	1,584	(4)
	<u>7,441,381</u>	<u>7,257,564</u>
Deferred tax (note 25)		
Current year	1,706,416	955,809
Attributable to a change in tax rate in Hong Kong	(180,149)	–
	<u>1,526,267</u>	<u>955,809</u>
	<u><b>8,967,648</b></u>	<u><b>8,213,373</b></u>
The income tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:		
	2008 HK\$	2007 HK\$
Profit before taxation	<u>112,985,442</u>	<u>93,899,777</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	18,642,597	16,432,461
Tax effect of results attributable to associates	(12,520,574)	(11,295,565)
Tax effect of expenses not deductible for tax purpose	4,787,490	4,876,293
Tax effect of income not taxable for tax purpose	(1,565,023)	(1,684,211)
Tax effect of utilisation of tax losses previously not recognised	(193,240)	(115,601)
Tax effect of change in tax rate	(180,149)	–
Others	(5,037)	–
Under (overprovision) in prior years	1,584	(4)
Income tax expense for the year	<u><b>8,967,648</b></u>	<u><b>8,213,373</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 10. DIRECTORS' EMOLUMENTS

	2008			2007		
	Fees HK\$	Other emoluments HK\$	Total HK\$	Fees HK\$	Other emoluments HK\$	Total HK\$
Executive Directors:						
Mr. Robert Ng Chee Siong	28,000	-	28,000	28,000	-	28,000
Mr. Thomas Tang Wing Yung	18,834	-	18,834	18,000	-	18,000
Mr. Daryl Ng Win Kong	26,834	-	26,834	26,000	-	26,000
	<u>73,668</u>	<u>-</u>	<u>73,668</u>	<u>72,000</u>	<u>-</u>	<u>72,000</u>
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
	<u>156,000</u>	<u>-</u>	<u>156,000</u>	<u>156,000</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	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>376,000</u>	<u>376,000</u>	<u>-</u>	<u>376,000</u>
	<u>605,668</u>	<u>-</u>	<u>605,668</u>	<u>604,000</u>	<u>-</u>	<u>604,000</u>

No Directors waived any emoluments in the year ended 30th June, 2008 (2007: Nil).

Note: During the year, a consultancy fee of HK\$416,666 (2007: 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.

### 11. EMPLOYEES' EMOLUMENTS

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

	2008 HK\$	2007 HK\$
Salaries and other emoluments	3,225,478	3,439,118
Contributions to retirement benefit scheme	76,858	96,000
Discretionary bonus (Note)	575,884	632,239
	<u>3,878,220</u>	<u>4,167,357</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 11. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments were within the following bands:

	Number of individuals	
	2008	2007
Less than HK\$1,000,000	4	4
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	1	–
	<b>1</b>	<b>–</b>

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.

### 12. DIVIDENDS

	2008 HK\$	2007 HK\$
Final dividend for the year ended 30th June, 2007 HK2.8 cents (2007: 2006 final dividend of HK2.6 cents) per share	23,790,597	21,888,152
Interim dividend for the year ended 30th June, 2008 HK2.6 cents (2007: HK2.4 cents) per share	22,215,803	20,305,711
	<b>46,006,400</b>	<b>42,193,863</b>

A final dividend of HK3 cents for the year ended 30th June, 2008 (2007 final dividend of HK2.8 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:

	2008 HK\$	2007 HK\$
Final dividend for the year ended 30th June, 2007/2006		
– Cash	665,481	724,032
– Scrip	23,125,116	21,164,120
	<b>23,790,597</b>	<b>21,888,152</b>
Interim dividend for the year ended 30th June, 2008/2007		
– Cash	602,601	595,322
– Scrip	21,613,202	19,710,389
	<b>22,215,803</b>	<b>20,305,711</b>
	<b>46,006,400</b>	<b>42,193,863</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 13. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the year of HK\$104,017,794 (2007: HK\$85,686,404) and on the weighted average number of 852,952,937 (2007: 844,583,800) shares in issue during the year.

Diluted earnings per share for the years are not shown as there were no potential dilutive ordinary share outstanding during both of the years presented.

### 14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties in Hong Kong held under long lease HK\$	Furniture, fixtures and hotel operating equipment HK\$	Total HK\$
<b>COST</b>			
At 1st July, 2006	390,632,537	50,040,470	440,673,007
Additions	–	1,919,252	1,919,252
Written off	–	(449,352)	(449,352)
	<hr/>	<hr/>	<hr/>
At 30th June, 2007	390,632,537	51,510,370	442,142,907
Additions	–	27,558,269	27,558,269
Disposals	(14,870,335)	–	(14,870,335)
	<hr/>	<hr/>	<hr/>
<b>At 30th June, 2008</b>	<b>375,762,202</b>	<b>79,068,639</b>	<b>454,830,841</b>
<b>DEPRECIATION</b>			
At 1st July, 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 written off	–	(449,352)	(449,352)
	<hr/>	<hr/>	<hr/>
At 30th June, 2007	70,170,596	24,055,460	94,226,056
Provided for the year	5,568,019	6,161,980	11,729,999
Eliminated on disposals	(2,839,108)	–	(2,839,108)
	<hr/>	<hr/>	<hr/>
<b>At 30th June, 2008</b>	<b>72,899,507</b>	<b>30,217,440</b>	<b>103,116,947</b>
<b>CARRYING AMOUNTS</b>			
<b>At 30th June, 2008</b>	<b>302,862,695</b>	<b>48,851,199</b>	<b>351,713,894</b>
	<hr/>	<hr/>	<hr/>
At 30th June, 2007	320,461,941	27,454,910	347,916,851
	<hr/>	<hr/>	<hr/>

The above items of property, plant and equipment are depreciated using the 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%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 15. PREPAID LEASE PAYMENTS

	2008 HK\$	2007 HK\$
The Group's prepaid lease payments comprises:		
Leasehold land in Hong Kong under long lease	<u>1,246,057,485</u>	<u>1,268,275,449</u>
Analysed for reporting purposes as:		
Current assets	22,217,964	22,217,964
Non-current assets	<u>1,223,839,521</u>	<u>1,246,057,485</u>
	<u>1,246,057,485</u>	<u>1,268,275,449</u>

### 16. INTERESTS IN ASSOCIATES

	2008 HK\$	2007 HK\$
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	<u>102,102,454</u>	<u>26,220,186</u>
	<u>1,165,667,387</u>	<u>1,089,785,119</u>

Details of the associates at 30th June, 2008 and 2007 were 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 (2007: 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, 2008

### 16. INTERESTS IN ASSOCIATES (Continued)

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

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Total assets	<b>5,867,424,926</b>	5,934,742,735
Total liabilities	<b>(3,996,134,549)</b>	(4,146,132,284)
Net assets	<b><u>1,871,290,377</u></b>	<u>1,788,610,451</u>
The Group's share of net assets of associates	<b><u>979,153,983</u></b>	<u>903,271,714</u>
Revenue	<b><u>1,057,876,830</u></b>	<u>936,965,603</u>
Profit for the year	<b><u>82,679,925</u></b>	<u>150,110,387</u>
The Group's share of results of associates for the year	<b><u>75,882,268</u></b>	<u>64,546,085</u>

During the year, a wholly-owned subsidiary, Bestown Property Limited ("Bestown"), of the Group's associate, Asian Glory Limited have reached a settlement agreement with the Inland Revenue Department (the "IRD") to settle the tax inquires for the years of assessment 1994/95 to 2002/03. The Group's share of the additional tax attributable to the Group is approximately HK\$46 million.

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

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Equity securities listed in Hong Kong, at fair value	<b><u>624,857,271</u></b>	<u>722,333,008</u>
Market value of listed securities	<b><u>624,857,271</u></b>	<u>722,333,008</u>
Analysed for reporting purposes as:		
Non-current assets	<b><u>624,857,271</u></b>	<u>722,333,008</u>

The Group's available-for-sale financial assets represents investment in equity securities of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited which are held by the Group for strategic investment purpose.

During the year, scrip dividend with fair value of HK\$9,435,354 (2007: HK\$8,277,561) 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, 2008

### 18. PLEDGED FIXED DEPOSIT/BANK BALANCES

Pledged fixed deposit of HK\$1,541,644 (2007: HK\$1,493,370) represents deposit pledged to a bank to secure a letter of guarantee issuance facility granted to the Group and is therefore classified as a non-current asset.

The pledged fixed deposit carries interest ranged from 1.2% to 4.85% (2007: 3.48% to 4.38%) 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 3.01% (2007: 4.05%) per annum.

### 19. TRADE AND OTHER RECEIVABLES

At 30th June, 2008, included in trade and other receivables of the Group are trade receivables of HK\$7,554,190 (2007: HK\$7,124,948). The Group maintains a defined credit policy to assess the credit quality of each counter party. 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 at the reporting date:

	2008 HK\$	2007 HK\$
Trade receivables		
0-30 days	5,655,320	5,285,912
31-60 days	1,231,391	1,330,676
61-90 days	667,479	508,360
	<hr/>	<hr/>
	7,554,190	7,124,948
Other receivables	1,921,843	1,355,475
	<hr/>	<hr/>
	<b>9,476,033</b>	<b>8,480,423</b>

The Group did not hold any collateral over these balances. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

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

Ageing of trade receivables which are past due but not impaired		
	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
Overdue within 30 days	<b>622,836</b>	<b>369,299</b>

### 20. CURRENT BALANCES WITH ASSOCIATES

The amounts are unsecured and repayable on demand.

At 30th June, 2008, the amounts due from associates include an amount of HK\$224,698,629 (2007: HK\$220,812,891) 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

An aged analysis of trade payables is as follows:

	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
Trade payables		
0-30 days	<b>5,353,333</b>	4,252,227
31-60 days	<b>843,009</b>	246,331
61-90 days	–	63,208
	<b>6,196,342</b>	4,561,766
Renovation cost payable	<b>12,143,633</b>	682,673
Other payables	<b>12,498,002</b>	11,223,196
	<b>30,837,977</b>	<b>16,467,635</b>

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, 2008

### 22. BANK LOANS AND OTHER BORROWINGS

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Bank loans	<b>346,749,668</b>	424,909,668
Other interest-bearing unsecured loans	<b>6,637,576</b>	5,137,065
	<b><u>353,387,244</u></b>	<u>430,046,733</u>
Represented by:		
Secured	<b>346,749,668</b>	424,909,668
Unsecured	<b>6,637,576</b>	5,137,065
	<b><u>353,387,244</u></b>	<u>430,046,733</u>
The repayment schedule of carrying amount is analysed as follows:		
On demand or within one year	<b>56,169,668</b>	56,169,668
More than one year, but not exceeding two years	<b>297,217,576</b>	36,297,065
More than two years, but not exceeding three years	–	337,580,000
	<b>353,387,244</b>	430,046,733
Less: Amount due within one year shown under current liabilities	<b>(56,169,668)</b>	(56,169,668)
Amount due after one year	<b><u>297,217,576</u></b>	<u>373,877,065</u>

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

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Fixed-rate borrowing:		
More than one year, but not exceeding two years	<b><u>6,637,576</u></b>	<u>5,137,065</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 23. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	2008	2007	2008 HK\$	2007 HK\$
Authorised:				
At the beginning and the end of the year	<b><u>3,000,000,000</u></b>	<u>3,000,000,000</u>	<b><u>3,000,000,000</u></b>	<u>3,000,000,000</u>
Issued and fully paid:				
At the beginning of the year	<b>849,664,182</b>	841,852,008	<b>849,664,182</b>	841,852,008
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2007/2006	<b>4,789,792</b>	4,219,322	<b>4,789,792</b>	4,219,322
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2008/2007	<b><u>5,341,869</u></b>	<u>3,592,852</u>	<b><u>5,341,869</u></b>	<u>3,592,852</u>
At the end of the year	<b><u>859,795,843</u></b>	<u>849,664,182</u>	<b><u>859,795,843</u></b>	<u>849,664,182</u>

On 14th December, 2007 and 16th May, 2008, pursuant to scrip dividend schemes, the Company issued and allotted a total of 4,789,792 shares and 5,341,869 shares of HK\$1 each at an issue price of HK\$4.828 and HK\$4.046 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2007 final and 2008 interim dividends in respect of each of the year ended 30th June, 2007 and 2008, respectively. These shares rank pari passu in all respects with the then existing shares.

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.

### 24. 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 (2007: *HIBOR plus a margin*) per annum and is not repayable within the next twelve months from the balance sheet date and accordingly, the amount is classified as non-current.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 25. DEFERRED TAXATION

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

	<b>Accelerated tax depreciation</b> <i>HK\$</i>
At 1st July, 2006	1,973,049
Charge to consolidated income statement during the year	<u>955,809</u>
At 30th June, 2007	2,928,858
Charge to consolidated income statement during the year	
Current year	1,706,416
Attributable to a change in tax rate in Hong Kong	<u>(180,149)</u>
<b>At 30th June, 2008</b>	<b><u>4,455,125</u></b>

At 30th June, 2008, the Group had unused tax losses of approximately HK\$3,300,000 (2007: HK\$4,450,000) 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.

### 26. PLEDGE OF ASSETS

- (a) The Group has pledged its hotel properties and prepaid lease payments having carrying amounts of HK\$302,862,695 (2007: HK\$320,461,941) and HK\$1,246,057,485 (2007: HK\$1,268,275,449), and available-for-sale financial assets at fair value of HK\$362,729,168 (2007: HK\$423,376,474) and pledged by way of floating charges in other assets, including bank balances of HK\$34,364,287 (2007: HK\$39,191,159), hotel inventories of HK\$479,578 (2007: HK\$383,552), property, plant and equipment of HK\$48,783,165 (2007: HK\$27,413,410) and trade and other receivables of HK\$7,812,798 (2007: HK\$7,737,877) to banks to secure long-term loan facilities granted to the Group;
- (b) The Group has pledged its time deposit of HK\$1,541,644 (2007: HK\$1,493,370) 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

Property rental income earned during the year was HK\$1,595,135 (2007: HK\$2,836,323).

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

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Within one year	<u>–</u>	<u>1,548,960</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 28. CONTINGENT LIABILITIES

At 30th June, 2008, the Group had no contingent liabilities. At 30th June, 2007, the Group had contingent liabilities of the effective share of tax attributable to the Group of approximately HK\$33.3 million in respect of tax inquiries on Bestown. During the year, Bestown has reached a settlement agreement with the Inland Revenue Department as disclosed in note 16 to the consolidated financial statements.

### 29. RELATED PARTY DISCLOSURES

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

	Notes	2008 HK\$	2007 HK\$
Club house management service income from a related company	(i)	3,180,000	3,180,000
Interest expenses paid to an associate		16,203,392	14,090,620
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		3,595,488	4,204,597
Security guard services fee paid to a related company	(i)	<u>1,461,912</u>	<u>1,465,677</u>

Notes:

- (i) The related companies are wholly-owned subsidiaries of Sino Land Company Limited, which is under the common control of the controlling shareholder of the Company.
- (ii) Mr. Robert Ng Chee Siong was interested in this transaction as a Director of the related company.
- (b) At balance sheet date, the Group had the outstanding balances with related parties. Details of the amounts with 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:

	2008 HK\$	2007 HK\$
Short-term benefits	<u>605,668</u>	<u>604,000</u>

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.

- (d) During the year, a consultancy fee of HK\$416,666 (2007: 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 pages 26 to 28 of the Directors' Report.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2008 and 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
<b>Direct subsidiary</b>				
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 30. 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
<b>Indirect subsidiary</b>				
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.

### 31. 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 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 as disclosed in consolidated statement of changes of equity.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 32. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2008 HK\$	2007 HK\$
<u>Financial assets</u>		
Available-for-sale financial assets	624,857,271	722,333,008
Loans and receivables (including cash and cash equivalents)	<u>273,442,743</u>	<u>274,552,387</u>
<u>Financial liabilities</u>		
Amortised cost	<u>799,679,311</u>	<u>848,602,514</u>

#### Financial risk management objectives and policies

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

##### 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, as such, the Group has no significant exposures 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 amounts due from/to associates, and bank and other borrowings.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 32. FINANCIAL INSTRUMENTS (Continued)

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

##### Market risk (Continued)

##### *Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate amounts due to associates, and bank and other borrowings. The analysis is prepared assuming that the change in interest rate had occurred at respective balance sheet date and had been applied to the exposure to interest rate risk for financial assets and 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 next balance sheet date.

At the respective balance sheet dates, 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\$3,228,000 (2007: HK\$3,445,000).

##### *Price risk*

The Group is exposed to equity price risk through its available-for-sale financial assets (investments in listed equity securities). The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in hotel industry sector quoted in The Stock Exchange of Hong Kong Limited. In addition, the Group has appointed a special team to monitor 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 each balance sheet date while all other variables were held constant. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in equity price.

	<b>2008</b> <b>HK\$</b>	2007 HK\$
Available-for-sale financial assets		
Increase (decrease) in other component of equity		
– as a result of increase in equity price	<b>31,242,864</b>	36,116,650
– as a result of decrease in equity price	<b>(31,242,864)</b>	<b>(36,116,650)</b>

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

For the year ended 30th June, 2008

### 32. FINANCIAL INSTRUMENTS *(Continued)*

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

##### Credit risk

At each balance date, 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 balance sheets and the amount of contingent liabilities as disclosed in Note 28. In order to minimize 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 82% (2007: 81%) of the Group's receivables are receivables from a number of associates. 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 regards, the Directors 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-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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2008

### 32. FINANCIAL INSTRUMENTS (Continued)

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

##### 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 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. 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.

	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\$
<b>2008</b>							
Trade and other payables	N/A	19,461,625	349,379	-	-	19,811,004	19,811,004
Amount due to an associate – current	N/A	70,179	-	-	-	70,179	70,179
Amount due to an associate – non-current	3.94	2,752,632	8,257,895	11,010,526	439,256,498	461,277,551	426,410,884
Borrowings							
– fixed rate	3.13	-	-	6,845,000	-	6,845,000	6,637,576
– variable rate	4.07	10,153,283	54,818,071	294,558,159	-	359,529,513	346,749,668
		<u>32,437,719</u>	<u>63,425,345</u>	<u>312,413,685</u>	<u>439,256,498</u>	<u>847,533,247</u>	<u>799,679,311</u>
	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\$
<b>2007</b>							
Trade and other payables	N/A	8,156,358	115,932	-	-	8,272,290	8,272,290
Amount due to an associate – current	N/A	75,999	-	-	-	75,999	75,999
Amount due to an associate – non-current	4.37	4,786,239	14,358,718	19,144,958	451,688,234	489,978,149	410,207,492
Borrowings							
– fixed rate	3.13	-	-	5,297,598	-	5,297,598	5,137,065
– variable rate	4.62	13,084,235	62,978,345	48,936,352	345,880,176	470,879,108	424,909,668
		<u>26,102,831</u>	<u>77,452,995</u>	<u>73,378,908</u>	<u>797,568,410</u>	<u>974,503,144</u>	<u>848,602,514</u>

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

For the year ended 30th June, 2008

### 32. FINANCIAL INSTRUMENTS *(Continued)*

#### **Fair values of financial instruments**

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

- the fair value 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 value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices and rates from observable current market transactions as input.

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

## FINANCIAL SUMMARY

	Year ended 30th June,				
	2008 HK\$	2007 HK\$	2006 HK\$	2005 HK\$	2004 HK\$
<b>Results</b>					
Revenue	227,164,184	206,726,887	179,850,118	163,262,461	136,456,430
Direct costs	(61,521,903)	(54,953,795)	(47,507,923)	(45,249,544)	(37,370,462)
Marketing costs	(8,491,449)	(7,896,097)	(6,815,680)	(6,344,969)	(5,284,619)
Administrative expenses	(18,908,076)	(18,648,177)	(15,737,781)	(17,509,647)	(12,336,710)
Other expenses	(72,805,759)	(58,940,468)	(67,410,160)	(63,995,172)	(56,587,202)
Net finance costs	(28,333,823)	(36,934,658)	(42,086,731)	(22,147,046)	(23,425,168)
Share of results of associates	75,882,268	64,546,085	66,260,350	57,332,261	47,741,809
Profit before taxation	112,985,442	93,899,777	66,552,193	65,348,344	49,194,078
Income tax expense	(8,967,648)	(8,213,373)	(3,707,936)	(6,461,173)	(6,292,118)
Profit for the year	<u>104,017,794</u>	<u>85,686,404</u>	<u>62,844,257</u>	<u>58,887,171</u>	<u>42,901,960</u>
			<b>At 30th June,</b>		
	2008 HK\$	2007 HK\$	2006 HK\$	2005 HK\$	2004 HK\$
<b>Assets and liabilities</b>					
Total assets	3,662,728,577	3,703,758,791	3,742,181,550	3,658,424,026	3,459,843,274
Total liabilities	(828,939,977)	(865,554,523)	(1,258,719,645)	(1,258,998,024)	(1,286,664,308)
	<u>2,833,788,600</u>	<u>2,838,204,268</u>	<u>2,483,461,905</u>	<u>2,399,426,002</u>	<u>2,173,178,966</u>



# Sino Hotels (Holdings) Limited

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

I/We <sup>(Note 1)</sup> \_\_\_\_\_  
of \_\_\_\_\_  
being the registered holder(s) of <sup>(Note 2)</sup> \_\_\_\_\_  
ordinary shares of HK\$1.00 each in the capital of the above-named Company, **HEREBY APPOINT** the Chairman of the  
Meeting or <sup>(Note 3)</sup> \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy to act for me/us at the Annual General Meeting (or at any adjournment thereof) of the Company to be held at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon on Thursday, the 13th day of November, 2008 at 10:30 a.m. or as soon as the annual general meeting of Tsim Sha Tsui Properties Limited closes, whichever is the later, and at such Meeting (or at any adjournment thereof) and in the event of a poll to vote for me/us and in my/our name(s) as indicated below or if no such indication is given, as my/our proxy thinks fit.

	For <sup>(Note 4)</sup>	Against <sup>(Note 4)</sup>
1. To receive and consider the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2008.		
2. To declare a final dividend of HK\$0.03 per ordinary share with an option for scrip dividend.		
3. (i) To re-elect The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP as Director.		
(ii) To re-elect Mr. Adrian David Li Man-kiu as Director.		
(iii) To re-elect Mr. Steven Ong Kay Eng as Director.		
(iv) To re-elect Mr. Daryl Ng Win Kong as Director.		
(v) To re-elect Mr. Nicholas Yim Kwok Ming as Director.		
(vi) To authorise the Board to fix the Directors' remuneration.		
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 Notice of Annual General Meeting).		
(ii) To approve share issue mandate (Ordinary Resolution on item 5(ii) of Notice of Annual General Meeting).		
(iii) To approve extension of share issue mandate (Ordinary Resolution on item 5(iii) of Notice of Annual General Meeting).		

Dated \_\_\_\_\_

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

Notes:

- Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
- 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).
- 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.**
- 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.
- 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.
- In order to be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the principal office of the Company, 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong not less than 24 hours before the time appointed for holding the Meeting or adjourned Meeting (as the case may be).
- 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.
- The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
- Completion and deposit of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish.
- At the Annual General Meeting, the Chairman of the Meeting will exercise his power under Article 79 of the Company's Articles of Association to 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.



