

 Sino Hotels (Holdings) Limited

Annual Report 2018



STOCK CODE: 1221

Conrad Hong Kong

This annual report (“Annual Report”) is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to the Company’s Principal Registrars, Tricor Friendly Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

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

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

Shareholders may at any time choose to change their choice of language and means of receipt (i.e. in printed form or by electronic means through the Company’s website) of all future Corporate Communications from the Company by giving notice in writing by post to the Company’s Principal Registrars, Tricor Friendly Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by email at sinohotels1221-ecom@hk.tricorglobal.com.

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CORPORATE INFORMATION

Board of Directors

Robert Ng Chee Siong, Chairman
Daryl Ng Win Kong, JP, Deputy Chairman
Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP[‡]
Gilbert Lui Wing Kwong[‡]
Peter Wong Man Kong, BBS, JP*
Steven Ong Kay Eng*
Wong Cho Bau, JP*
Giovanni Viterale

([‡] Non-Executive Directors)

(* Independent Non-Executive Directors)

Audit Committee

Steven Ong Kay Eng, Chairman
Gilbert Lui Wing Kwong
Peter Wong Man Kong, BBS, JP

Nomination Committee

Robert Ng Chee Siong, Chairman
Peter Wong Man Kong, BBS, JP
Steven Ong Kay Eng

Remuneration Committee

Steven Ong Kay Eng, Chairman
Peter Wong Man Kong, BBS, JP
Daryl Ng Win Kong, JP

Authorized Representatives

Robert Ng Chee Siong
Velencia Lee

Chief Financial Officer and Company Secretary

Velencia Lee

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Solicitors

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

Shareholders' Calendar

Closure of Register of Members for entitlement to attend and vote at Annual General Meeting	22nd October, 2018 to 25th October, 2018 (both dates inclusive)
Annual General Meeting	25th October, 2018
Closure of Register of Members for dividend entitlement	31st October, 2018 to 1st November, 2018 (both dates inclusive)
Record Date for final dividend entitlement	1st November, 2018
Last Date for lodging form of election for scrip dividend	23rd November, 2018 4:30 p.m.
Interim Dividend Paid	HK4.5 cents per share 23rd April, 2018
Final Dividend Payable	HK5 cents per share 5th December, 2018

Principal Bankers

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

Investor Relations Contact

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

Principal Office

12th Floor, Tsim Sha Tsui Centre,
Salisbury Road, Tsim Sha Tsui,
Kowloon, Hong Kong
Telephone : (852) 2721 8388
Fax : (852) 2723 5901
Website : www.sino.com
Email : info@sino.com

Registered Office

P.O. Box 309,
Ugland House, Grand Cayman,
KY1-1104, Cayman Islands

Principal Registrars

Tricor Friendly Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong
Telephone : (852) 2980 1333
Fax : (852) 2861 1465
Email : sinohotels1221-ecom@hk.tricorglobal.com

Listing Information

Stock Code 1221

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of **Sino Hotels (Holdings) Limited** (“Company”) 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 25th day of October, 2018 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, consider and adopt the audited Financial Statements and the Directors’ and Independent Auditor’s Reports for the year ended 30th June, 2018.
2. To declare a final dividend.
3. To re-elect retiring Directors and to authorise the Board to fix the Directors’ remuneration for the financial year ending 30th June, 2019.
4. To re-appoint Deloitte Touche Tohmatsu as Auditor for the ensuing year and to 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 buy back shares of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares to be bought back pursuant to the approval in paragraph (i)(a) above shall not exceed 10% of the total number of shares 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 or agreements 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 are in respect of and in addition to any shares which may be issued on the exercise of the subscription rights under the Company’s securities or pursuant to any scrip dividend scheme or pursuant to a rights issue 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 number of shares allotted or agreed to be allotted or issued pursuant thereto, whether by way of conversion or otherwise, shall not exceed 20% of the total number of shares 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 number of shares which are bought back by the Company under the authority granted pursuant to resolution (i) above (up to a maximum of 10% of the total number of shares of the Company in issue as at the date of this resolution) shall be added to the aggregate number of shares 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
Velencia Lee
Company Secretary

Hong Kong, 21st September, 2018

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

Notes:

- (a) At the Annual General Meeting, the Chairman of the Meeting will put each of the above resolutions to the vote by way of a poll. On a poll, every shareholder who is present in person or by proxy shall have one vote for every share of which he/she is the holder.
- (b) Any shareholder entitled to attend and vote at the above meeting may appoint (i) if such shareholder is a person referred to in Article 95(b) of the Amended and Restated Memorandum and Articles of Association of the Company, any number of proxies; and (ii) for all other shareholders, up to two proxies to exercise all or any of his/her rights to attend and vote instead of him/her, provided that the proxy is appointed to represent respectively the number of shares held by the shareholder as specified in the relevant instrument of appointment. A proxy need not be a shareholder of the Company.
- (c) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be lodged at the principal office of the Company at 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong not less than 24 hours before the time appointed for holding the meeting.
- (d) For determining the entitlement to attend and vote at the Annual General Meeting to be held on Thursday, 25th October, 2018, the register of members of the Company will be closed from Monday, 22nd October, 2018 to Thursday, 25th October, 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's Principal Registrars, Tricor Friendly Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 19th October, 2018.
- (e) The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is at the close of business on Thursday, 1st November, 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 31st October, 2018 to Thursday, 1st November, 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's Principal Registrars, Tricor Friendly Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 30th October, 2018.
- (f) Regarding the re-election of the Directors of the Company under item 3, separate ordinary resolutions will be considered and, if thought fit, passed at the Annual General Meeting to:
 - (i) re-elect The Honourable Ronald Joseph Arculli as Director of the Company.
 - (ii) re-elect Mr. Gilbert Lui Wing Kwong as Director of the Company.
 - (iii) re-elect Mr. Wong Cho Bau as Director of the Company.

CHAIRMAN'S STATEMENT

I am pleased to present the 2017/2018 Annual Report to shareholders.

FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK\$195.1 million for the year ended 30th June, 2018, representing an increase of 9.6% compared with HK\$177.9 million for the last financial year. Earnings per share for the financial year 2017/2018 was 18.22 cents (2016/2017: 17.08 cents).

DIVIDENDS

The Directors have resolved to recommend a final dividend of 5.0 cents per share in respect of the year ended 30th June, 2018 to shareholders whose names appear on the Register of Members of the Company on 1st November, 2018. Together with the interim dividend of 4.5 cents per share, the total dividend for the year ended 30th June, 2018 is 9.5 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 25th October, 2018; 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 8th November, 2018. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 5th December, 2018.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

According to the statistics released by Hong Kong Tourism Board, visitor arrivals to Hong Kong were 61.3 million for the year ended 30th June, 2018, representing an increase of approximately 6.9% compared with last year. Visitors from Mainland China accounted for approximately 77.1% of the total visitors and visitors who stayed overnight in Hong Kong increased 5.6%. The performance of the Group's hotels was steady during the year ended 30th June, 2018. The Group will continue to improve the quality of its hotel services to ensure our discerning guests have enjoyable experiences during their stays in the hotels.

Business Activities

City Garden Hotel

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

The average room occupancy rate of City Garden Hotel for the year ended 30th June, 2018 was 89.7% (2016/2017: 90.4%) but the average room rate increased 5.6% compared with that of last financial year. Room sales for the financial year increased 4.8% to HK\$187.0 million from HK\$178.4 million for the last financial year. Food and beverage sales for the financial year 2017/2018 were HK\$88.2 million (2016/2017: HK\$85.9 million).

Conrad Hong Kong

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

The average room occupancy of Conrad Hong Kong for the year ended 30th June, 2018 was 90.7% compared with 85.6% for the last financial year and the average room rate increased 5.8% compared with that of last financial year. Room sales for the year ended 30th June, 2018 were HK\$463.7 million (2016/2017: HK\$413.6 million) while income from food and beverage sales for the financial year were HK\$351.5 million (2016/2017: HK\$324.3 million).

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Business Activities *(Continued)*

The Royal Pacific Hotel & Towers

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

The average occupancy rate of The Royal Pacific Hotel & Towers for the year ended 30th June, 2018 was 94.1% (2016/2017: 95.1%) but the average room rate increased 8.7% compared with that of last financial year. Room sales increased 7.6% to HK\$316.5 million from HK\$294.2 million for the last financial year. Revenue from food and beverage sales for the year ended 30th June, 2018 was steady at HK\$94.3 million (2016/2017: HK\$94.1 million).

Other than that mentioned above, there was no material change from the information published in the report and accounts for the year ended 30th June, 2017.

Finance

As at 30th June, 2018, the Group had cash and bank deposits of HK\$1,166.7 million and had no debt outstanding.

There was no material change in the capital structure of the Group for the financial year. Foreign exchange exposure is kept at a low level. As at 30th June, 2018, the Group did not have any contingent liabilities.

Other than the above-mentioned, there was no material change from the information published in the report and accounts for the financial year ended 30th June, 2017.

EMPLOYEE PROGRAMMES

To ensure that the Group can deliver a high standard of unparalleled service on a continuous basis, it is of paramount importance to have a team of engaged and well-trained staff. Staff's working attitude, continuous training, knowledge and experience sharing between management and front-line staff, job rotation and promotion are key to help the staff strengthen their know-how and improve their efficiency to achieve a high quality of service.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

(Continued)

Various training programmes with specific focuses have been developed from time to time. Two major programmes, namely the LEAD Programme and Manager Development Programme have been up and running for years. The former one is to develop management skills for our supervisory level employee. Participants who complete the programme will be able to broaden their scope of work and pursue career advancement within the Group. The latter programme is aimed to equip potential managerial staff to take up a managerial role the following year after the training. By participating in this training, our staff will develop the skillset required to achieve the standards set by the management in terms of service quality.

To consistently respond to employee feedback and to stay competitive in the ever-changing employment market, the Group has reduced the daily working hours for all operational employees to facilitate a balanced work life. The Group has also enhanced employee medical benefits in 2018 and will continue to roll out programmes to ensure that the Group stays competitive as a preferred employer in the industry.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to incorporating sustainability initiatives into the operations and management of our hotels. As a committed corporate citizen, we embrace corporate social responsibilities by upholding high level of corporate governance standards, participating in green initiatives, engaging the community, promoting social integration and conserving the cultural heritage.

Environmental Management

The Group places strong emphasis on environmental management throughout our operations. Under the environmental policy of Sino Hotels, the Group undertakes to actively promote a culture of environmental sustainability among our customers; employees and contractors and encourage their involvement in its green initiatives; improve environmental protection through energy conservation, waste reduction and pollution prevention; implement and update effective measures to sustain green living; and ensure full compliance with applicable legislation in relation to environmental protection.

The Group strives to implement more stringent measures on carbon emission reduction in response to the local and international initiatives such as Hong Kong's Climate Action Plan 2030+. The Group also pledged to support 'Energy Saving Charter 2018' organised by the Environment Bureau.

Keeping abreast of the rising awareness of the city's plastic waste problem, the Group endeavours to reduce plastic usage in its hotels. In April 2018, the Group announced the ban on the use of plastic straws at all Food and Beverage outlets, and upon request, eco-friendly alternatives will be served. In addition, efforts were made to reduce single-use plastic consumption in the hotels' guestrooms, including water bottles and bathroom amenities.

CHAIRMAN'S STATEMENT *(Continued)*

CORPORATE SOCIAL RESPONSIBILITY

(Continued)

Community Engagement

The Group believes that caring for one another by providing support and offering voluntary services to the underprivileged is essential to making our society better. The Group continues to place strong emphasis on serving the community by utilising its hotel resources and formulating long-term sustainable community programmes.

Through our 'Hearty Soup Delivery Programme', hotel volunteers deliver homemade soup prepared by the hotel chefs to elderly people in collaboration with various community service centres. Since 2011, the Group partnered with food-related charities such as the Foodlink Foundation and Food Angel to support underprivileged families on a weekly basis through 'Food Donation Programme'.

To continue our efforts to promote social integration, the Group collaborates with Hong Chi Association, SILENCE and The Hong Kong Society for Rehabilitation and provides training opportunities and skills sharing workshops for physical impairment members of the society.

Tai O Heritage Hotel

In March 2008, the Ng Teng Fong Family, the ultimate major shareholder of the Group, set up a non-profit-making organisation named Hong Kong Heritage Conservation Foundation Limited ("HCF"). In December 2008, HCF was fortunate to win the tender to revitalise and convert the Old Tai O Police Station, a Grade II historic building built in 1902, into a boutique hotel. Named Tai O Heritage Hotel ("Hotel"), it is home to nine colonialstyle rooms and suites and commenced operation in March 2012. The Hotel, operated by HCF as a non-profit-making social enterprise, is part of the HKSAR Government's Revitalising Historic Buildings Through Partnership Scheme. The Hotel is a winner of the '2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation' and the first UNESCO-awarded hotel in Hong Kong

INDUSTRY OUTLOOK AND PROSPECTS

The development of both Belt and Road Initiative ("BRI") and Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") Initiative will open up tremendous business opportunities for each of the cities in the GBA region. The hospitality and tourism related industries are set to benefit from this new driver of growth.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

As there will be more cooperation and communication among the cities in the GBA, infrastructure connectivity is one of the critical success factors. Two major infrastructure projects, namely the sea-crossing Hong Kong-Zhuhai-Macao Bridge and the 26-km Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link which would be integrated with the Guangzhou-Zhongshan-Zhuhai-Macao intercity rail project are both due to complete this year. It is encouraging to see that the GBA plan will soon bear fruit, transforming Hong Kong into not just a world-class city but also a 'smart city'.

Hong Kong has an important role to play in these two initiatives. On the tourism side, HKSAR Government has rolled out the Development Blueprint for Hong Kong's Tourism Industry ("Blueprint") jointly issued by Tourism Commission and Commerce and Economic Development Bureau. The Blueprint establishes four development strategies which include diversifying the visitor source markets for Hong Kong, developing smart tourism, tourism products and initiatives with local and international characteristics and improvement of service quality in the tourism industry. It covers a broad spectrum of initiatives with a view to developing Hong Kong as a world-class premier tourism destination. In addition, HKSAR Government has announced the first Representative List of the Intangible Cultural Heritage of Hong Kong which presents a total of 20 items that will be preserved. Preservation of cultural heritage such as Tai O Dragon Boat Water Parade, Cheung Chau Jiao Festival and Cantonese Opera will promote cultural diversity and human creativity which can enrich the experience of the visitors' stays in Hong Kong. Combining with the new attractions which include the museums and theatres in the West Kowloon Cultural District and the expansion of Ocean Park, these new developments are expected to contribute significantly to the future of the hospitality and tourism industries in Hong Kong.

The Group attaches significant importance to market positioning and branding. To accomplish these objectives, regular upgrade of hotel facilities and renovation is carried out where necessary. The Group will continuously review and improve the quality of the service to meet the needs of customers and ensure our discerning guests have enjoyable stays in our hotels.

STAFF AND MANAGEMENT

On behalf of the Board, I 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, 30th August, 2018

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

(I) EXECUTIVE DIRECTORS

Mr. Robert Ng Chee Siong^{N+}, aged 66, Chairman of the Group since 1994, was called to the Bar in 1975. Mr. Ng is also a director of a number of subsidiaries and associated companies of the Company, and is the Chairman of Tsim Sha Tsui Properties Limited and Sino Land Company Limited. In addition, he is a Director of The Real Estate Developers Association of Hong Kong, a member of the 11th, 12th and 13th National Committee of the Chinese People's Political Consultative Conference ("CPPCC") and Deputy Director of the Committee for Economic Affairs of the 13th National Committee of the CPPCC. Mr. Ng is the father of Mr. Daryl Ng Win Kong, the Deputy Chairman of the Company, a son of the late substantial shareholder Mr. Ng Teng Fong and the brother of Mr. Philip Ng Chee Tat, the co-executor of the estate of the late Mr. Ng Teng Fong.

Mr. Daryl Ng Win Kong^R, JP, aged 40, an Executive Director since April 2005 and Deputy Chairman of the Group since November 2017, holds a Bachelor of Arts Degree in Economics, a Master Degree of Science in Real Estate Development from Columbia University in New York, an Honorary Doctor of Humane Letters degree from Savannah College of Art and Design and an Honorary University Fellowship from The Open University of Hong Kong. Mr. Ng first joined the Company as Executive (Development) in 2003. He is a director of a number of subsidiaries and associated companies of the Company, and an Executive Director and Deputy Chairman of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. He is also a Non-Executive Director of The Bank of East Asia, Limited, which is listed on the Hong Kong Stock Exchange and a Non-independent & Non-executive Director of Yeo Hiap Seng Limited, a company listed on the main board of the Singapore Stock Exchange. He is a member of the Global Leadership Council of Columbia University in the City of New York, a member of the 10th Sichuan Committee of the Chinese People's Political Consultative Conference ("CPPCC"), a member of the 12th and 13th Beijing Municipal Committee of the CPPCC, a member of the 10th and 11th Committees of the All-China Youth Federation and the Deputy Chairman of the Chongqing Youth Federation. He is the Vice Chairman of Hong Kong United Youth Association, a member of the Executive Committee of Hong Kong Sheng Kung Hui Welfare Council Limited, a Council Member of the Hong Kong Committee for UNICEF and a Council Member of The Hong Kong Management Association. Mr. Ng's major public service appointments include being a member of the Social Welfare Advisory Committee of the Government of Hong Kong Special Administrative Region ("HKSAR"), a co-opted member of the Community Care Fund Task Force of Commission on Poverty of HKSAR, a member of the Council for Sustainable Development of HKSAR, a member of the Council of the University of Hong Kong, a member of the Court of the Hong Kong University of Science and Technology, a member of NUS Medicine International Council at the Yong Loo Lin School of Medicine of National University of Singapore, a member of the Board of M Plus Museum Limited, a Board Member of National Heritage Board, Singapore and a member of Hong Kong Trade Development Council Mainland Business Advisory Committee. He is a Director of The Real Estate Developers Association of Hong Kong and a Director of The Community Chest of Hong Kong. He is the eldest son of the Chairman of the Group Mr. Robert Ng Chee Siong and the eldest grandson of the late substantial shareholder Mr. Ng Teng Fong.

N+: Nomination Committee Chairman R: Remuneration Committee member

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

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

Mr. Giovanni Viterale, aged 53, an Executive Director since July 2014. Mr. Viterale has been the General Manager of The Fullerton Hotel Singapore and The Fullerton Bay Hotel Singapore since 2010 (which are owned by Sino Land Company Limited). Before joining The Fullerton Hotel Singapore and The Fullerton Bay Hotel Singapore, Mr. Viterale was with Conrad Hong Kong for more than 10 years and is a veteran in the hospitality industry with over 24 years of experience.

(II) **NON-EXECUTIVE DIRECTORS**

The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP, aged 79, has been a Director of the Company since 1994 and was re-designated from an Independent Non-Executive Director to a Non-Executive Director in July 2005. The Honourable Ronald Arculli through Ronald Arculli and Associates provides consultancy services to the Company. He is also a Non-Executive Director of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. The Honourable Ronald Arculli was an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited from 2006 to April 2013, for which he was also a former Independent Non-Executive Chairman from 2006 to April 2012. He has a long and distinguished record of public service on numerous government committees and advisory bodies. He was the Chairman of The Hong Kong Jockey Club from 2002 to August 2006. He is a practising solicitor and has served on the Legislative Council from 1988 to 2000. He was a Non-Official Member of the Executive Council of the HKSAR Government from November 2005 to June 2012, for which he also acted as Convenor of the Non-Official Members since December 2011. He chairs FWD Group, the Honorary Advisory Committee of SVHK Foundation Limited and Common Purpose Charitable Foundation Limited in Hong Kong. He is also a Non-Executive Director of Asia Art Archive Limited. He is a Board Member and the Vice-Chairman of the Board of The West Kowloon Cultural District Authority and chairs its Executive Committee and Development Committee. The Honourable Ronald Arculli is an Independent Non-Executive Director of Hang Lung Properties Limited and a Non-Executive Director of HKR International Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited (all are listed on The Stock Exchange of Hong Kong Limited except HK Electric Investments Manager Limited).

Mr. Gilbert Lui Wing Kwong^A, aged 80, an Independent Non-Executive Director since 1994 and was re-designated as a Non-Executive Director in August 2004. Mr. Lui is a consultant of a local firm of certified public accountants after retiring from the position of senior partner of that firm in 1999.

A: Audit Committee member

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

(III) INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Peter Wong Man Kong^{A N R}, BBS, JP, aged 69, an Independent Non-Executive Director since September 2004, is the Chairman of M.K. Corporation Limited and North West Development Limited. Mr. Wong is a deputy to the 12th National People's Congress of the People's Republic of China and he will continue to serve as a deputy to the 13th National People's Congress from 2018. He is an Independent Non-Executive Director of China Travel International Investment Hong Kong Limited, Glorious Sun Enterprises Limited, Sun Hung Kai & Co. Limited, Far East Consortium International Limited, MGM China Holdings Limited and New Times Energy Corporation Limited, and a Non-Executive Director of Hong Kong Ferry (Holdings) Company Limited, all companies listed on The Stock Exchange of Hong Kong Limited. Mr. Wong is also Standing Committee Vice Chairman of Hong Kong Pei Hua Education Foundation, Director of Fong Shu Fook Tong Foundation, Honorary Professor in the Central University for Nationalities and Lanzhou University, and a Director of Ji Nan University. He was formerly an Independent Non-Executive Director of Chinney Investments, Limited.

Mr. Steven Ong Kay Eng^{A+ N R+}, aged 72, an Independent Non-Executive Director since July 2005. He is also an Independent Non-Executive Director of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. He is a Director of Altrade Investments Pte. Ltd. in Singapore. He is also a Non-Executive Independent Director of EnGro Corporation Limited and a substantial shareholder of Hwa Hong Corporation Limited, both of which are listed on the main board of the Singapore Stock Exchange. Mr. Ong has been a veteran banker with extensive experience in banking and finance over 43 years. He was the General Manager and Country Head for American Express Bank in Singapore for nearly 10 years and also the Chief Representative and Country Manager in China for Banca Monte dei Paschi di Siena S.p.A. for 16 years. Mr. Ong remained as the bank's advisor and consultant for 2 years after he left China in 2006 having resided in the country for over 16 years. He was the Chairman of Foreign Bankers' Association in Beijing, PRC from 1999 to 2000.

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

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

Mr. Wong Cho Bau, JP, aged 59, an Independent Non-Executive Director since January 2015. He is also an Independent Non-Executive Director of Sino Land Company Limited. He is an Honorary Fellow of City University of Hong Kong and currently serves as Chairman of East Pacific (Holdings) Ltd., Shenzhen East Pacific Group Ltd., Donghai Airlines Co., Ltd., Donghai Jet Co., Ltd.. Mr. Wong has more than 30 years of business experience and is one of the pioneers on the establishment of Shenzhen Special Economic Zone. His business interests have expanded from property development to industrial, hotel, aviation, tourism and recently extended to media. Mr. Wong is a National Committee Member of the 10th to 13th Chinese People's Political Consultative Conference, an Executive Councilor of the 4th Council of China Overseas Friendship Association and a Committee Adviser of Hong Kong Association for The Promotion of Peaceful Reunification of China. He was formerly a Councilor of the 1st and the 2nd Council and an Executive Councilor of the 3rd Council of China Overseas Friendship Association. He is also a Director of Hong Kong Chiu Chow Chamber of Commerce.

(IV) SENIOR MANAGEMENT

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

CORPORATE GOVERNANCE REPORT

The Board of Directors (“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 control, and high transparency and accountability to the shareholders. The Company has adopted its own Corporate Governance Code and has complied with all code provisions as set out in Appendix 14 (“Code”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except for the deviation as disclosed in this report. The corporate governance practices of the Company in compliance with the Code during the financial year ended 30th June, 2018 with explanation of the deviation are set out in this report.

CORPORATE GOVERNANCE PRACTICES

DIRECTORS

Corporate Governance Principle

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

Board Composition

The current Board has eight Directors comprising three Executive Directors including the Chairman and the Deputy Chairman of the Board, two Non-Executive Directors and three Independent Non-Executive Directors, details of which are set out under the section entitled “Directors’ Report” of this Annual Report. Biographical details of the Directors and their relationships, where applicable, are contained under the section entitled “Biographical Details of Directors & Senior Management” of this Annual Report. The Company has maintained on its website and on the website of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) an updated list of its Directors identifying their roles and functions and whether they are Independent Non-Executive Directors. Independent Non-Executive Directors are identified in all corporate communications that disclose the names of Directors of the Company.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Board Diversity

With a view to achieving a sustainable and balanced development, the Company has been seeing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. It is the policy of the Company to consider board diversity from a number of factors when deciding on new appointments to the Board and the continuation of those appointments in order to achieve a diversity of perspectives among Board members. These factors include but not limited to gender, age, cultural and educational background, professional or industry experience, skills, knowledge and other qualities of Directors. The Board as a whole is responsible for reviewing the structure, size and composition of the Board with due regard to the intended benefits of board diversity. The balance between the number of Executive and Non-Executive Directors is considered effective in ensuring independent judgment being exercised effectively to provide sufficient checks and balances to safeguard the interests of the Company and its shareholders. The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board reviews and monitors the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

Division of Responsibilities

The Board, led by the Chairman, is responsible for the Company's future development directions, overall strategies and policies, evaluation of the financial performance of the Company and approval of matters that are of a material or substantial nature, including adequacy of systems of financial, risk management and internal control, and conduct of business in conformity with applicable laws and regulations. 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 gives clear directions as to the matters that must be approved by the Board before decisions are made on behalf of the Company. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible Executive Directors. The Board has found that the current arrangement has worked effectively in enabling it to discharge its responsibilities satisfactorily. The types of decisions to be delegated by the Board to the management include implementation of the strategy and direction determined by the Board, operation of the business of the Company and its subsidiaries ("Group"), preparation of financial statements and operating budgets, and compliance with applicable laws and regulations.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Division of Responsibilities *(Continued)*

The Chairman ensures that the Board works effectively and discharges its responsibilities in the best interests of the Company and all key and appropriate issues are discussed by the Board in a timely manner. He takes responsibility for ensuring that good corporate governance practices and procedures are established and encourages all Directors to make a full and active contribution to the board's affairs. Directors with different views are encouraged to voice their concerns. They are allowed sufficient time for discussion of issues so as to ensure that board decisions fairly reflect board consensus. A culture of openness and debate is promoted to facilitate the effective contribution of Non-Executive Directors and ensure constructive relations between Executive and Non-Executive Directors. Besides, the Chairman of the Board holds, at least annually, meetings with the Non-Executive Directors (including Independent Non-Executive Directors) in the absence of the Executive Directors.

There is no separation of the roles of the chairman and the chief executive in the Company. The Chairman of the Board provides leadership to the Board and undertakes both roles of chairman and chief executive. 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. In addition, the Independent Non-Executive Directors have contributed valuable views and proposals for the board's deliberation and decisions. The Board reviews the management structure regularly to ensure that it continues to meet these objectives and is in line with the industry practices.

To enhance the function of the Board, four board committees, namely the Remuneration Committee, Nomination Committee, Audit Committee and Compliance Committee, have been set up to take up different responsibilities. All board committees have specific terms of reference clearly defining their powers and responsibilities. All board committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Division of Responsibilities *(Continued)*

The Non-Executive Directors, including Independent Non-Executive Directors, provide the Company with diverse skills, expertise and varied backgrounds and qualifications. They participate in board/board committee (including Audit Committee, Nomination Committee and Remuneration Committee) meetings to bring independent views, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They also attend annual general meetings of the Company to understand the view of shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.

Every Director is considered to have given sufficient time and attention to the Company's affairs for the year. Each of the Directors is required to disclose to the Company the number and nature of offices he held in public companies or organizations and other significant commitments as well as the identity of such public companies or organizations.

Directors' and Officers' Liabilities Insurance

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

Board Meetings and Supply of and Access to Information

The Board holds at least four regular meetings a year, which are normally scheduled in advance in the fourth quarter of the preceding year. During the financial year ended 30th June, 2018, the Board had held four meetings. The attendance records of the Directors to these board meetings are set out below:

Directors	Meeting(s) Attended/Held
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong (<i>Chairman</i>)	3/4
Mr. Daryl Ng Win Kong (<i>Deputy Chairman</i>)	4/4
Mr. Giovanni Viterale	4/4
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	4/4
Mr. Gilbert Lui Wing Kwong	4/4
<i>Independent Non-Executive Directors</i>	
Mr. Peter Wong Man Kong	4/4
Mr. Adrian David Li Man-kiu <i>(retired on 26th October, 2017)</i>	1/1
Mr. Steven Ong Kay Eng	3/4
Mr. Wong Cho Bau	4/4

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

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

Notice incorporating the agenda for each regular board meeting or board committee meeting is given to all Directors or board committee members at least 14 days in advance, and all Directors or board committee members are given the opportunity to include matters for discussion in the agenda. All Directors/board committee members are entitled to have access to board/board committee papers and related materials in sufficient details to enable them to make informed decisions on matters to be placed before the board/board committee meetings. Meeting papers are normally sent to all Directors or board committee members at least 5 days in advance of every regular board meeting or board committee meeting.

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

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

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Directors' Appointment, Re-election and Removal

All Non-Executive Directors have entered into letters of appointment with the Company for a specific term of three years. The Company's Amended and Restated Articles of Association provide that each Director is subject to retirement from office by rotation and re-election once every three years and that one-third (or the number nearest to but not exceeding one-third) of the Directors shall retire from office every year at the annual general meeting. New appointment to the Board is subject to re-election at the next following annual general meeting. In addition, the appointment of an Independent Non-Executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. The Board will provide in the circular accompanying the annual report sent to shareholders the reason why the Board considers the Independent Non-Executive Director is still independent and our recommendation to shareholders to vote in favour of the re-election of such Independent Non-Executive Director.

The Directors who are subject to retirement and re-election at the 2018 annual general meeting are set out on page 70 of this Annual Report.

The Board is empowered under the Company's Amended and Restated Articles of Association and is collectively responsible to appoint any person as a Director either to fill a casual vacancy or as an additional board member. Only the most suitable candidate who is experienced, competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be selected as Director.

During the year, the Nomination Committee recommended and the Board approved the appointment of Mr. Daryl Ng Win Kong as Deputy Chairman of the Board with effect from 1st November, 2017.

Confirmation of Independence

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Directors' Training and Professional Development

Every Director keeps abreast of responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed director receives a comprehensive induction package covering the statutory and regulatory obligations of directors, organizational structure, policies, procedures and codes of the Company, terms of reference of board committees and internal audit charter of internal audit. The Company Secretary from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities.

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

Directors	Training Matters ^(Note)
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong	a, b
Mr. Daryl Ng Win Kong	a, b
Mr. Giovanni Viterale	a, b
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	a, b, c, d
Mr. Gilbert Lui Wing Kwong	a, b, c
<i>Independent Non-Executive Directors</i>	
Mr. Peter Wong Man Kong	a, b
Mr. Steven Ong Kay Eng	a, b
Mr. Wong Cho Bau	a, b

Note:

- a. corporate governance*
- b. regulatory*
- c. finance*
- d. managerial*

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

The Company's emolument policy is to ensure that the remuneration offered to employees, including Executive Directors and senior management, is based on 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 board committees. Individual Directors and senior management have not been involved in deciding their own remuneration.

Remuneration Committee

The Company established its Remuneration Committee with written terms of reference on 23rd June, 2005. The current written terms of reference are available at the Company's website www.sino.com and the Stock Exchange's website.

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

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Remuneration Committee *(Continued)*

During the year, the Remuneration Committee had performed the following works:

- reviewed the existing emolument policy of Directors;
- reviewed the remuneration packages of Executive Directors; and
- made recommendations on Non-Executive Directors' fees.

No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee. The attendance records of the then committee members to committee meeting(s) are set out below:

Committee members	Meeting(s) Attended/Held
Mr. Steven Ong Kay Eng* <i>(Committee Chairman)</i>	1/1
Mr. Peter Wong Man Kong*	1/1
Mr. Adrian David Li Man-kiu* <i>(retired on 26th October, 2017)</i>	N/A
Mr. Daryl Ng Win Kong	1/1

* *Independent Non-Executive Director*

Details of Directors' emoluments for the year are set out in Note 11 to the consolidated financial statements.

NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

The Company established its Nomination Committee with written terms of reference on 20th February, 2012. The current written terms of reference are available at the Company's website www.sino.com and the Stock Exchange's website.

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee, which is chaired by the Chairman of the Board, currently comprises three members with the Independent Non-Executive Directors constituting the majority of the Committee.

During the year, the Nomination Committee had performed the following works:

- recommended the appointment of Mr. Daryl Ng Win Kong as Deputy Chairman of the Board;
- endorsed the recommendation to appoint Mr. Steven Ong Kay Eng as the Chairman of the Audit Committee and a member of the Nomination Committee to take the place of Mr. Adrian David Li Man-kiu following his retirement at the 2017 annual general meeting ("2017 AGM") of the Company held on 26th October, 2017;
- reviewed the current structure, size and composition of the Board;
- assessed the independence of Independent Non-Executive Directors and their annual confirmations on independence; and
- reviewed time commitment of Directors.

The attendance records of the then committee members to committee meeting(s) are set out below:

Committee members	Meeting(s) Attended/Held
Mr. Robert Ng Chee Siong <i>(Committee Chairman)</i>	0/1
Mr. Peter Wong Man Kong*	1/1
Mr. Adrian David Li Man-kiu* <i>(retired on 26th October, 2017)</i>	N/A
Mr. Steven Ong Kay Eng* <i>(appointed on 26th October, 2017)</i>	1/1

* *Independent Non-Executive Director*

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Statements

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

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

The auditor is responsible for auditing and reporting its opinion on the financial statements of the Company and the independent auditor's report for the financial year ended 30th June, 2018 is set out in the section entitled "Independent Auditor's Report" of this Annual Report.

Risk Management and Internal Control

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Audit Committee is delegated with the authority from the Board to oversee the risk management and internal control systems.

Effective risk management is important to the Company's achievement of its strategic goals. To this end, the Company adopts an Enterprise Risk Management ("ERM") approach to assist the Audit Committee and the Board in discharging its risk management responsibilities and individual business units in managing the key risks faced by the Company. Details of the main features of the ERM system including the processes for the identification, evaluation and management of significant risks are set out in the "Risk Management Report" on pages 60 to 67.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

The Company's internal control system is built on a sound control environment with a strong commitment to ethical values. "Staff integrity" is among one of our core values. A Code of Conduct, including prevention of bribery and avoidance of conflict of interest has been established. The core values and Code of Conduct are communicated to all new staff during orientation. This information is also included in the Staff Handbook and available on our intranet. The importance of integrity is reiterated regularly by messages from top management and through training and seminar. The Business Ethics Committee has been established as a whistle-blowing channel for staff and other relevant parties to report misconduct cases. Every reported case will be handled in confidentiality and followed through in accordance with the Unethical Conduct Notification Policy and Procedures.

The internal control system also includes an appropriate organizational structure with clearly defined responsibilities, accountability and authorities underpinning proper segregation of duties, complemented by monitoring and reporting mechanism to ensure proper checks and balances. Policies and procedures covering key business processes are established and communicated to staff, and are regularly reviewed to ensure continued relevance and effectiveness, and for continuous improvement.

The Company's internal control framework is fully integrated with the risk management framework. The ERM is a process whereby risks together with the relevant controls are being identified, assessed, evaluated and reviewed on an ongoing basis. All the significant risks identified are mapped to and incorporated in the annual internal audit plan. Key controls are subject to review and test by the Internal Audit Department in order to assess their adequacy and effectiveness.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Internal Audit

The Internal Audit Department provides independent assurance regarding the existence of adequate and effective controls in the operations of the Company's business units. The Head of Internal Audit Department reports directly to the Audit Committee. In performing its duties, the Internal Audit Department has free and unfettered access to information and to meet with any of the department heads or persons-in-charge as stipulated in the Internal Audit Charter.

The Internal Audit Department adopts a risk-based audit approach. It conducts annual risk assessment and devises a 3-year-rolling internal audit plan which is reviewed and approved by the Audit Committee. Depending on the nature and exposure of the risks of individual business units, the Internal Audit Department performs audits and reviews on their operations, and makes recurring and impromptu site investigations on selected risk areas to ensure the effectiveness of the controls implemented by the relevant business units. The audit findings regarding control weaknesses are communicated to the business units concerned. Major audit findings and recommendations are reported to the Audit Committee, which in turn reports to the Board. The implementation of the agreed actions in response to the identified audit issues are tracked and followed up regularly, and the status is reported to the Audit Committee.

Internal Control Self-assessment

To further enhance the risk management and internal control systems, the head of each business unit conducts annual internal control self-assessment with reference to the 17 principles of the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) 2013 Internal Control – Integrated Framework. Through the use of control self-assessment questionnaires, they systemically review and assess the effectiveness of all internal controls over their business operations that are in place to mitigate the risks, identify potential new risks affecting their businesses and operations, design and execute control enhancement plans to address such new risks. The results of the self-assessment are reported to the Board through the Audit Committee and form part of the annual assessment of the adequacy and effectiveness of the risk management and internal control systems.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Evaluation of the Adequacy of Resources of the Company's Accounting and Financial Reporting Function, and Internal Audit Function

For the year ended 30th June, 2018, the Internal Audit Department has conducted an assessment and concluded that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function were adequate. The Head of Internal Audit Department, in conjunction with the Human Resources Department, also carried out a review of the internal audit function and concluded that its resources, staff qualifications and experience, training programmes and budget were adequate. The review results were reported to the Audit Committee.

Based on the above, the Board and the Audit Committee were satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and internal audit function.

Review of the Effectiveness of Risk Management and Internal Control Systems

The Board has the overall responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

On behalf of the Board, the Audit Committee evaluates the effectiveness of the Company's risk management and internal control systems at least annually. For the financial year ended 30th June, 2018, the Audit Committee, with the assistance of the Risk and Control Committee, conducted a review of the effectiveness of the Group's risk management and internal control systems covering all the material controls, including environmental, social and governance related risks, financial, operational and compliance controls. Throughout the year, the Audit Committee also oversaw the risk management system on an ongoing basis through various activities including reviewing and approving the updated ERM Policy and Framework as well as the ERM reports.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Review of the Effectiveness of Risk Management and Internal Control Systems (Continued)

For the financial year ended 30th June, 2018, the Board received a confirmation statement from management on the effectiveness of the risk management and internal control systems. The confirmation is based on:

- the work performed by management in identifying, evaluating, monitoring and managing the existing, new and emerging risks on an ongoing basis;
- the results of formal risk assessments conducted quarterly during the year in accordance with the approved ERM Policy and Framework;
- the responses of individual business units to the questionnaires prepared for the Group-wide internal control self-assessment; and
- the independent verification and assurance provided through audit and review performed by the external auditor and the Internal Audit Department.

In the light of the above, the Board and the Audit Committee concluded that the risk management and internal control systems of the Group were effective and adequate. Despite there were no significant control failings or weaknesses or areas of major concern identified during the year, the risk management and internal control systems will be regularly reviewed for continuous improvement.

Policy and Procedures of Inside Information Handling and Dissemination

The Company handles and disseminates inside information in accordance with the Securities and Futures Ordinance and the Listing Rules and with reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. Potential inside information is captured through established reporting channels of the business units and escalated to senior management which will consider the price sensitivity of the information. Inside information is kept strictly confidential and is restricted to relevant parties on a need-to-know basis so as to ensure confidentiality until consistent and timely disclosure by way of corporate announcement is made to inform the public of the inside information in an equal and timely manner. A strict prohibition on the unauthorized use of confidential information is included in the Company's code of conduct applicable to all employees of the Group.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit Committee

The Company established its Audit Committee with written terms of reference on 16th September, 1998. The current written terms of reference are available at the Company's website www.sino.com and the Stock Exchange's website.

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

The Audit Committee currently comprises three members, all of them being Non-Executive Directors with the majority of them being Independent Non-Executive Directors.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit Committee *(Continued)*

During the year, the Audit Committee had held four meetings and reviewed, inter alia, the following matters:

- the Company's 2017 annual report and audited financial statements and the 2017/2018 interim report and unaudited interim financial statements, including the accounting policies and practices adopted by the Company, before submitting to the Board;
- the ERM Policy and Framework of the Company for the enhancement of the risk management system;
- internal audit reports and ERM reports on the risk management and internal control systems, including the effectiveness of the risk management and internal control systems of the Group, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and internal audit function;
- internal audit plan 2018/2019;
- usage of annual caps on certain continuing connected transactions of the Company; and
- re-appointment of the Company's auditor before submitting to the Board.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit Committee *(Continued)*

All the meetings were attended by the external auditor of the Company. The attendance records of the then committee members to these committee meetings are set out below:

Committee members	Meeting(s) Attended/Held
Mr. Adrian David Li Man-kiu* <i>(Committee Chairman, retired on 26th October, 2017)</i>	1/1
Mr. Steven Ong Kay Eng* <i>(appointed as Committee Chairman on 26th October, 2017)</i>	4/4
Mr. Gilbert Lui Wing Kwong	4/4
Mr. Peter Wong Man Kong*	4/4

* *Independent Non-Executive Director*

Codes for Dealing in the Company's Securities

The Company has adopted its own code for dealing in the Company's securities by Directors ("Directors Dealing Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"). The Company has made specific enquiries of all Directors who held such offices during the year under review. All of them confirmed their compliance with the required standard set out in the Directors Dealing Code during the year ended 30th June, 2018. 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 inside information in relation to the securities of the Company, on no less exacting terms than the Model Code.

Auditor's Remuneration

The fees in respect of audit and non-audit services provided to the Group by the external auditor of the Company for the year ended 30th June, 2018 amounted to HK\$571,500 and HK\$321,000 respectively. The non-audit services mainly consist of review and consultancy services.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

- reviewed the usage of annual caps on certain continuing connected transactions of the Company;
- reviewed the compliance with the Code through the Compliance Committee; and
- reviewed the effectiveness of the risk management and internal control systems of the Group through the Risk and Control Committee and the Audit Committee.

Compliance Committee

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

COMMUNICATION WITH SHAREHOLDERS

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

Communication Strategies

Principles

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

Shareholders' Meetings

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

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Communication Strategies *(Continued)*

Shareholders' Meetings (Continued) The last annual general meeting of the Company is the 2017 AGM which was held on 26th October, 2017 at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon. The Directors, including the Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Nomination Committee and the Chairman of the Remuneration Committee, and the external auditor of the Company, Deloitte Touche Tohmatsu, attended the 2017 AGM. The attendance records of the then Directors to the 2017 AGM are set out below:

	Meeting(s) Attended/Held
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong	1/1
Mr. Daryl Ng Win Kong	1/1
Mr. Giovanni Viterale	1/1
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	1/1
Mr. Gilbert Lui Wing Kwong	1/1
<i>Independent Non-Executive Directors</i>	
Mr. Peter Wong Man Kong	0/1
Mr. Adrian David Li Man-kiu	1/1
Mr. Steven Ong Kay Eng	1/1
Mr. Wong Cho Bau	0/1

The Company's notice to shareholders for the 2017 AGM was sent to shareholders more than 20 clear business days prior to the meeting. The chairman of the meeting exercised his power under the Company's Amended and Restated Articles of Association to put each proposed resolution to vote by way of a poll. The Company adopted poll voting for all resolutions put to vote at the meeting. The procedures for voting by poll at the 2017 AGM were contained in the circular of the Company to its shareholders, which was dispatched together with the 2017 annual report, and were further explained at the 2017 AGM prior to the polls being taken. Simultaneous translation from English to Cantonese was available at the 2017 AGM.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Communication Strategies *(Continued)*

Shareholders' Meetings (Continued) Separate resolutions were proposed at the 2017 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 26th October, 2017 are set out below:

Resolutions proposed at the 2017 AGM		Percentage of Votes
1	Adoption of the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2017	99.99%
2	Declaration of a final dividend of HK\$0.045 per ordinary share with an option for scrip dividend	99.99%
3(i)	Re-election of Mr. Robert Ng Chee Siong as Director	99.99%
3(ii)	Re-election of Mr. Steven Ong Kay Eng as Director	99.99%
3(iii)	Authorization of the Board to fix the Directors' remuneration for the financial year ending 30th June, 2018	99.99%
4	Re-appointment of Deloitte Touche Tohmatsu as Auditor for the ensuing year and to authorize the Board to fix their remuneration	99.99%
5(i)	Share buy-back mandate up to 10% of the Company's issued shares	99.99%
5(ii)	Share issue mandate up to 20% of the Company's issued shares	99.99%
5(iii)	Extension of share issue mandate to the shares bought back under the share buy-back mandate	99.99%

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Communication Strategies *(Continued)*

Shareholders' Meetings (Continued) All resolutions put to shareholders at the 2017 AGM were passed. The Company's Principal Registrars were appointed as scrutineers to monitor and count the poll votes cast at that meeting. The results of the voting by poll were published on the respective websites of the Company and the Stock Exchange.

The latest version of the Amended and Restated Memorandum and Articles of Association of the Company is available at the Company's website www.sino.com and the Stock Exchange's website. No changes have been made to the Company's Amended and Restated Memorandum and Articles of Association during the year.

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

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

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

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Shareholders' Rights

Pursuant to Article 71 of the Amended and Restated Articles of Association of the Company, Directors are required to call a general meeting on the written requisition of any two or more shareholders of the Company holding not less than 10% of the paid up capital of the Company which carries the right of voting at general meetings of the Company. The request must specify the objects of the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such request must be signed and authenticated by the shareholders making it and be deposited at the registered office of the Company at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands for the attention of the Company Secretary. The request should also be sent to the Company's email address at investorrelations@sino.com.

Any shareholder who wishes to propose a person (other than a retiring Director) for election as director ("Candidate") at a general meeting of the Company, should (a) deposit a written notice of such proposal at the principal office of the Company for the attention of the Company Secretary, signed by the shareholder who should be qualified to attend and vote at the general meeting; (b) provide biographical details of the Candidate as set out in Rule 13.51(2)(a) to (x) of the Listing Rules; and (c) provide a written consent signed by the Candidate indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least 7 days commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such meeting and such election and ending not later than 7 days prior to the meeting.

The Company has been practising the above shareholders' communication policy to handle enquiries put to the Board and will review them on a regular basis to ensure their effectiveness. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our principal office address or by email to the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sino Hotels (Holdings) Limited (“Company”) is pleased to present this Environmental, Social and Governance (“ESG”) Report (“ESG Report”) which summarizes the ESG policies, initiatives and performance of the Company and its subsidiaries (collectively, “Group”) as well as demonstrates its commitment in achieving environmental and social sustainability for the year ended 30th June, 2018.

REPORTING FRAMEWORK AND SCOPE

This ESG Report is prepared in accordance with the ‘Environmental, Social and Governance Reporting Guide’ under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It covers the management approach for the material sustainability aspects of the Group’s core businesses in hotel investment, operation and management. The focus of this ESG Report is to summarize the environmental and social sustainability performance and initiatives of City Garden Hotel and The Royal Pacific Hotel & Towers. Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report on pages 16 to 39.

APPROACH, STRATEGY TO ESG AND REPORTING

As a responsible corporate citizen, the Group’s ESG approach is to incorporate sustainability initiatives into the operations and management of its hotels. The Group holds corporate social responsibilities in high regard as the Group maintains high level of corporate governance standards and operates in a way to protect the environment, serve the community, promote social integration and support heritage conservation. With the objective of becoming the preferred choice of customers, investors and employees, the Group endeavours to establish a high reputation in the hospitality and tourism industry and promises to deliver a high standard of services to its guests.

STAKEHOLDER ENGAGEMENT

To better understand stakeholders’ concerns and expectations, the Group has adopted a multi-pronged approach to engage its key stakeholders, including customers, staff, shareholders, investors, non-governmental organizations (“NGOs”), partners (suppliers and contractors, academia and the government), local communities and mass media, on a regular basis through various channels.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

STAKEHOLDER ENGAGEMENT *(Continued)*

Stakeholders	Channels to engage
Customers	<ul style="list-style-type: none"> • Customer Service Hotline • Regular Gatherings • Social Media • Daily Personal Contact
Staff	<ul style="list-style-type: none"> • Town Hall Meetings and Monthly Mini-Town Hall Meetings • Staff Magazine (<i>InSino</i>) • New Hire Orientation • SinoNet (Intranet) • Staff Suggestion Award Scheme • Quality Improvement Champion Scheme
Shareholders	<ul style="list-style-type: none"> • Annual General Meetings • Annual and Interim Reports • Press Releases, Announcements and Circulars
Investors	<ul style="list-style-type: none"> • Investor Conferences • Site Visits • Analyst Briefings
NGOs	<ul style="list-style-type: none"> • Regular Meetings with Green and Community Partners • Joint Activities
Partners (suppliers and contractors, academia and the government)	<ul style="list-style-type: none"> • Tendering Process • Meetings and Conferences • Exhibitions • Site Visits
Local Communities	<ul style="list-style-type: none"> • Volunteering Opportunities • Charitable Events • Art Exhibitions and Functions
Mass Media	<ul style="list-style-type: none"> • Press Conference and Luncheons • Press Releases

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SUSTAINABILITY GOVERNANCE

The sustainability management framework of the Group aims to create accountability for sustainability at all levels. The Group set up a Sustainability Committee in 2010 to drive the planning and implementation of the Group's strategies for building a more sustainable business. The committee members include Mr. Daryl Ng Win Kong, the Deputy Chairman, together with other committee members drawn from key executives of various business units across the Group. The committee provides overall strategic direction in sustainability across the Group and facilitates the implementation of the policies and programmes related to corporate sustainability. It formulates environmental policy of the Group which outlines the Group's long-term corporate plan to guide the environmental management systems and standards for different business units.

At the monitoring and execution level, a dedicated team, namely the Employee Safety and Health Committee, comprising senior executives from all key business units, has been established to administer the health and safety management system of the Group and to ensure that the principles are adopted in day-to-day operations. The committee also reviews injury cases for loss control and prevention. In recognition of the genuine need to tackle the environmental impact brought about by plastic waste, a Steering Committee has been set up to formulate strategies and action plans on plastic reduction across the business units.

An information and data collection template is adopted and used for collection of ESG information and data from relevant departments and business units of the Group based on the material ESG aspects. The ESG Report is prepared based on the information and data so collected and the key performance indicators relating to the Group's business operations are highlighted in the paragraphs below.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ENVIRONMENTAL

Building a Sustainable Environment The Group is well aware of the importance of environmental management and sustainable development and is devoted to reduce its ecological footprint throughout its operations. Under its environmental policy, the Group pledges to:

- proactively cultivate a culture of environmental sustainability among the guests, staff and business partners and join hands with them to involve in green initiatives;
- spread the message of environmental protection through determination to achieve energy conservation, waste minimization and pollution prevention;
- implement and regularly review its environmental measures to ensure effectiveness and advocating sustainable green living; and
- manage and oversee its hotels to ensure full compliance with applicable legislation in relation to environmental protection.

By adhering to the environmental policy, the Group affirms its commitment to improving and maintaining high standards of environmental protection. The Group endeavours to reduce energy consumption, control greenhouse gas (“GHG”) emissions, mitigate water pollution, enhance waste management and minimize food wastage in promoting low carbon living and green corporate culture.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ENVIRONMENTAL *(Continued)*

Emissions

Control and Minimization

The Group's major objectives are to reduce its carbon and ecological footprint and adopt practices that are sustainable to the environment. Through careful planning, the Group strives to minimize energy consumption and improve energy efficiency in its hotels. The Group has incorporated various sustainable energy measures that have resulted in reducing energy consumption in its daily operations. Below are the highlights of some of the key initiatives:

- retrofitting lights to more energy efficient lights, such as LED and T5 fluorescent lamps;
- continuous replacement of aged air handling unit by more energy efficient ones with variable frequent drive control;
- replacing T5 fluorescent tube in its hotels by LED panel for signage;
- installation of new energy efficient water boiler to save significant operation costs; and
- installation of electric vehicle chargers at its hotels.

Apart from energy saving signs which are visible for guests and staff, high-efficiency energy appliances and the key card system have been installed in controlling the Group's carbon footprint.

The Company participated in the Carbon Footprint Repository for Listed Companies in Hong Kong under the Carbon Reporting Website developed by the Environmental Protection Department to enhance the carbon data transparency and to raise the public awareness on climate change issues. The Repository is a carbon disclosure initiative to allow available information on GHG emissions reported directly by the listed companies in Hong Kong as a result of their business operations, together with other related information such as their carbon reduction programmes on combating climate change.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ENVIRONMENTAL *(Continued)*

Emissions *(Continued)*

GHG Emissions Data

GHG emissions from the Group's operations

		<i>Unit</i>	For the year ended 30th June, 2018	For the year ended 30th June, 2017
Scope 1	Direct GHG emissions	<i>tonnes CO₂ equivalent</i>	36.19	34.23
Scope 2	Indirect GHG emissions	<i>tonnes CO₂ equivalent</i>	10,404.31	10,132.53
Scope 3	Other indirect GHG emissions	<i>tonnes CO₂ equivalent</i>	95.29	181.36
Total GHG emissions		<i>tonnes CO₂ equivalent</i>	10,535.79	10,348.12
GHG emissions intensity		<i>tonnes CO₂ equivalent/ room night</i>	0.02	0.02

Waste Reduction and Recycling

Through the '4-R Principles – Reduce, Reuse, Replace and Recycle', the Group strives to achieve the target of reducing the amount of waste disposed to the landfills. Plastic bottles, paper, cooking oil and remained amenities are the examples of the Group's recycling programme.

The Group is one of the pioneer hospitality groups in Hong Kong to collaborate with Eco-Greenergy in the first large scale coffee grounds recycling programme Zero Grounds Coffee Campaign. The campaign aims to promote circular economy through making the best use of the discarded coffee grounds. Coffee grounds have a wide range of usage including the production of upcycling products, such as soap and fertilizers. To introduce food waste recycling into the public's daily lives, a coffee grounds soap making workshop was hosted for the Group's hotel staff so as to promote circular economy and allow them to gain deeper understanding on the rational initiative.

The Group has pledged to achieve a 50% reduction in the consumption of single-use plastics by 2022 from 2017 level. Since June 2018, the Group banned the use of plastic straws and stirring rods and provides eco-friendly alternatives upon customers' request at all the food and beverages outlets operated by the Group. By taking action in banning plastic straws and stirring rods, the Group hopes that the important message about sustainability can be spread and its guests can join the global effort in constructing a greener community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ENVIRONMENTAL *(Continued)*

Emissions *(Continued)*

Waste Reduction and Recycling *(Continued)*

In response to the Mainland China's tightened requirements for recyclables import, the Environmental Protection Department has launched a new round of clean recycling publicity campaign, which focuses on educating the public to put clean recyclables, including three types of waste paper and two types of waste plastic containers, into residential, workplace or roadside recycling facilities. The Group has been a long-time supporter in raising the awareness of environmental management of its employees. Therefore, a clean recycling training workshop was hosted to consolidate the knowledge of the Group's employees on the practices of clean recycling and to ensure that the staff fully understand the requirements of new environmental regulations.

Waste Disposal Data

Waste Produced from the Group's operation

		<i>Unit</i>	For the year ended 30th June, 2018	For the year ended 30th June, 2017
Hazardous waste	Disposal	<i>kg</i>	191	172.81
	Intensity	<i>kg/room night</i>	0.00044	0.00039
Non-hazardous waste	Disposal	<i>tonnes</i>	1,530	1,564
	Intensity	<i>kg/room night</i>	3.54	3.59

Recycled Materials Data

Recycled Materials from the Group's operation

		<i>Unit</i>	For the year ended 30th June, 2018	For the year ended 30th June, 2017
Plastic Bottles		<i>kg</i>	717	758
Glass Bottles		<i>kg</i>	6,063	5,459
Paper		<i>tonnes</i>	51	55
Aluminum Cans		<i>kg</i>	112	117
Remained Amenities		<i>kg</i>	200	78
Used Cooking Oil		<i>litres</i>	9,036	9,118
Used Cartridges		<i>pieces</i>	148	56

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ENVIRONMENTAL *(Continued)*

Emissions *(Continued)*

Food Waste Management

The Group undertakes to continue its dedication to food waste reduction by supporting the HKSAR Government's food waste reduction programmes and bringing innovative inspirations to the hospitality industry. Since 2013, the Group has established a food waste management task force team to oversee food waste reduction. The task force team, which is led by chefs, stewards, hygiene manager and sustainability manager, performs regular review on the effectiveness of the food production, processing and final disposal procedures in the hotels. The Group has been a partner with the Food Wise Hong Kong Campaign of the HKSAR Government since 2013. Food Wise signs are available in its hotels' buffet lines to promote the culture of eating wisely. Statistics on food waste disposal and recycling are gathered and analyzed on a monthly basis, so as to evaluate the effectiveness and practicality of its hotels' food waste management.

For the year ended 30th June, 2018, 72,420 kg (2017: 73,068 kg) of food waste was collected for recycling and converted into animal feed, representing a reduction by 48% compared to 2014 level (139,320 kg).

Use of Resources

The Group actively pursues for effective water management to consume water responsibly in order to minimize the water consumption throughout its operation. To this end, the Group has established various environmental initiatives from installing water saving devices to adopting water reduction practices. The key water saving measures include:

- encouraging hotel guests to engage in the linen and towel reuse programme;
- promoting an awareness of water conservation among housekeeping and kitchen staff;
- introducing jet sprays for dish washing;
- ensuring an operation of fully loaded dish washers and washing machines; and
- regular inspection on its hotels' water facilities to ensure no water leakage.

The total water consumption of the Group's hotels is registered at least once a month to monitor the water usage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ENVIRONMENTAL *(Continued)*

Use of Resources *(Continued)*

The Group also undertakes to involve and participate in the Energy Saving Charter 2017 organized by the Environment Bureau.

Energy and Water Consumption Data Energy and Water Consumption from the Group's operation

		<i>Unit</i>	For the year ended 30th June, 2018	For the year ended 30th June, 2017
Electricity	Consumption	<i>kWh</i>	15,466,854	14,935,844
	Intensity	<i>kWh/room night</i>	35.81	34.27
Fuel – Towngas	Consumption	<i>MJ</i>	6,351,216	6,363,310
	Intensity	<i>MJ/room night</i>	14.7	14.6
Water	Consumption	<i>m³</i>	236,741	227,836
	Intensity	<i>m³/room night</i>	0.55	0.52

Use of Packaging Materials

The Group also established guidelines on festive packaging design to engage suppliers to use less packaging materials and explore alternative eco-friendly materials to replace conventional packaging. According to the guidelines, suppliers are obligated to adopt the following guiding principles for festive packaging design:

- (i) Design of the Packaging
 - simple packaging – excessive packaging is not recommended and packaging should be available for recycling with the fundamental principle of protecting the gift from damage;
 - reusable design concept – the reuse of packaging materials should be promoted through careful design of the packaging and its material; and
 - gift-packaging integration – when possible, the packaging should be incorporated as a part of the gift so as to raise their utilization and minimize waste generation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ENVIRONMENTAL *(Continued)*

Use of Resources *(Continued)*

Use of Packaging Materials (Continued)

(ii) Choice of Packaging Materials

- encouraging the use of single packaging material;
- recommending recyclable packaging materials, especially for those containing recycled constituents (such as recycled paper) or environmentally certified products (such as FSC paper) and minimizing the use of non environmental-friendly materials with low recyclable values (such as PVC plastic or plastic foam); and
- encouraging the use of eco-friendly or fully biodegradable packaging materials (such as using biodegradable transparent gift wrapping film).

For the year ended 30th June, 2018, 3.58 tonnes of material were used for festive packaging.

The Environmental and Natural Resources

Sustainable Seafood

In support of sustainable seafood and full commitment on marine conservation, the Group has followed the 'Sustainable Seafood Guide' issued by the World Wildlife Fund and Marine Stewardship Council to purchase seafood that is sustainability-labeled and certified. The Group has also ceased serving shark's fin at all of its restaurants and banquets since 2012 to ensure that the Group provides food that is not only in the best quality but environmentally sound.

The Company is not aware of any material non-compliance with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group for the year ended 30th June, 2018.

SOCIAL

Employment and Labour Practices

Hospitality industry is both labour and capital intensive. It relies on people to deliver quality service and maintain the facilities in good condition. A team of engaged and well-trained staff is the key contributing factor to building customer loyalty and making the hotels of the Group the preferred choice for its customers.

As a responsible employer, the Group is committed to providing a fair workplace through promoting non-discrimination and diversity to staff, together with competitive remunerations and benefits based on skill, knowledge, responsibilities and involvement in the Group's affairs, as well as opportunities for career development based on merits and performances. With a special emphasis on assuring comprehensive welfares and safeguards for its employees, the remuneration is reviewed annually to reflect employees' performance, experiences and market condition.

The Group is devoted to provide equal employment opportunities in relation to all human resources matters including recruitment, training, promotion, transfer, remuneration, etc. regardless of gender, disability, family status, marital status, pregnancy, race, religion, age, national origin, sexual orientation, and employees enjoy the same benefits regardless of their backgrounds. The Group enforces zero tolerance on differential treatment and harassment on grounds of race, disability, sex and family status whereas discrimination, harassment and vilification on the ground of sexual orientation will not be tolerated in the workplace.

The Group's effort in supporting employees' personal development and professional training allows it to attract the right talents that match closely with its operation needs. Its staff handbook outlines a comprehensive framework together with detailed human resources management policies, and also provides information and guidelines to its staff in the areas of working conditions, benefits and remunerations, training and development as well as health and safety. The Group regularly reviews its staff handbook to dovetail with new legal and regulatory requirements so as to offer a supportive and equal workplace for its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Employment and Labour Practices *(Continued)*

The Group also aims to serve the workplace as a platform for employees' enjoyment as well as career development. Therefore, the Group offers various leisure and sports activities including birthday celebrations, sporting competitions and handcraft workshops to light up the office workplace and tighten the bonding among employees. The Group believes that a harmonious working environment and healthy lifestyle can facilitate work-life balance for its employees. A five-day week policy has been adopted since June 2016 for the Group's office staff.

To continue the Group's efforts to promote social integration, the Group collaborates with Hong Chi Association, SILENCE and The Hong Kong Society for Rehabilitation and provides training opportunities and skills sharing workshops for physical impairment members in the society.

Various transparent communication channels are in place across the Group's business units to ensure effective dialogue between employees and management. Regular staff meetings, staff communication sessions, department sharing sessions and staff suggestion award scheme are hosted for the employees to express their thoughts and opinions so as to enhance interconnections among departments and foster a strong sense of belonging for employees. Moreover, the Group also conducts annual employee experience survey to gather comments from employees and the comments are reviewed by the senior management to ensure they are followed up effectively.

For the year ended 30th June, 2018, the Company is not aware of any material non-compliance with laws and regulations relating to employment and labour practices that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Health and Safety

Employees' occupational health and safety is an indispensable part of the Group as it recognizes human asset as the cornerstone of a successful organization. In its Occupational Safety and Health ("OSH") Policy Statement, the Group summarizes the practicable principles and reasonable practices at work and covenants to:

- provide and maintain the training, machineries and facilities, material applications, environments, methods and systems at work up to the highest safety and health standards, preventing occupational injuries and diseases;
- assign competent and skilled staff and contractors to handle works with critical hazards or impacts related to OSH;
- promote the safety culture through various communication channels such as safety campaigns, discussion and sharing sessions; and
- require contractors or sub-contractors of its projects to assist in the implementation of policies, procedures and practices related to OSH at work.

In order to promote good staff habits to pursue safety standards and enhance employees' safety awareness, the Group hosts regular safety training workshops to provide impetus for the staff to gain a deeper understanding of personal health and safety issues. The Group has also set up an internal risk and safety team, which consists of representatives from various departments including hygiene, engineering and security to promote and advocate a safe working environment for achieving 'zero accident' status.

To ensure the applicability and responsiveness of the OSH measures, the Group also reviews the performance of the measures on a regular basis so that their effectiveness and reliability can be maintained. OSH measures include conducting daily inspections, formulating emergency response plans, conducting risk assessment and refining its accident investigation mechanism so as to ensure legal compliance and minimize risks associated with OSH.

For the year ended 30th June, 2018, the Company is not aware of any material non-compliance with laws and regulations relating to OSH that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Development and Training

The Group encourages lifelong learning at all employee levels as the contributions of its employees are critical to its success. Training programmes are constantly updated and their contents are reviewed and improved based on the feedback from staff and management. During the reporting year, the Group organized various training programmes, including soft skills training, on-job practical training, language classes and experience sharing sessions. The programmes aim to equip the Group's employees with the right skillsets to reach their potential, and to become more efficient and prepared to deliver the best qualified services to customers.

The Group continues to host the training programme, namely LEAD Programme, to develop talents with leadership potential from supervisory to manager level. The programme covers four main aspects of training for the participating employees enhancing their skills on the management of self, team and work, and also the provision of management support such as presentation skills, seminars and English language training. Through the LEAD Programme, the participants can further develop their management skills and pave the way to become professional team leaders. It also enables the participants to have mutual growth with the Group through achieving continuous lifelong learning.

Labour Standards – Anti-child and Forced Labour

The Group adopts a policy of zero tolerance on child labour and forced labour across its operation, and strictly complies with the applicable labour laws in the employment procedures. Apart from applying the standards with consistency in the Group, the Group goes a step further to assess and oversee the code of conduct of its suppliers in accordance with the 'Policies and Procedures for Group Approved Contractors/Suppliers List' including their social and ethical standards. The Group is dedicated to minimize the risks associated with its supply chain and ensure that its suppliers are not engaged in inappropriate labour practices.

For the year ended 30th June, 2018, the Company is not aware of any non-compliance with relevant laws and regulations relating to preventing child or forced labour that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Supply Chain Management

The Group proactively collaborates with its business partners to provide quality sustainable products and services to its hotels' customers. It is the Group's aspiration to work with its business partners in order to further promote its green practices and achieve more sustainable consumption and production in the supply chain. To ensure a high quality standard on all suppliers and contractors, the Group has established the 'Policies and Procedures for Group Approved Contractors/Suppliers List' and included other corresponding and supplementary requirements in its standard tender documents. These requirements cover regulatory compliance, labour practices, anti-corruption, environmental measures, green procurement, OSH and other business ethics. The policies allow the Group to manage and oversee the ethical practices of its business partners. New suppliers and contractors are required to submit an application with supporting documents and go through a comprehensive assessment process. Suitable contractors/suppliers will be placed under the 'Approved Contractors/Suppliers List' after a thorough assessment. The Group also has standard approach and criteria to assess the performance of suppliers and contractors. For instance, auditors from various departments will conduct factory audit and due diligence on the approved suppliers/contractors to review and assess their performance. Spot checks will be conducted on a regular basis to ensure full compliance of law and requirements by the suppliers and contractors.

Green Procurement Practices

It is the Group's intention to integrate environmental considerations into sustainable consumption and production in its supply chain. In 2014, the Group established 'Green Purchasing Guidelines' with the aim of engaging its business partners (contractors and suppliers) to review and assess the environmental impact of their products' life cycle as well as adopting environmental-friendly practices such as offering products with greater durability and greater energy efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Supply Chain Management *(Continued)*

Green Procurement Practices (Continued)

According to the 'Green Purchasing Guidelines', all purchasing units are encouraged to take into consideration the following principles before making a purchase:

- evaluating on the necessity of the product or service to avoid unnecessary consumption and manage demand;
- placing the '4-R Principles – Reduce, Reuse, Replace and Recycle' ahead of the purchase of a replacement product;
- assessing the environmental parameters (emissions, pollutants, energy and water) associated with all stages of the product life cycle, such as manufacturing and disposal;
- avoiding purchasing products comprising hazardous material content;
- considering the end-of-life options, including the reuse, repair, recycling and disposal options; and
- considering the purchase of biodegradable plastic products, such as garbage bags, packaging containers and cutleries.

Product Responsibility

Customer Engagement

The Group puts all efforts on proactively enhancing customer satisfaction and promoting a culture of 'Customer First' and 'Quality Excellence' within the Group. By establishing open communication channels such as daily communication, comments posted online, courtesy calls, online guest electronic surveys, mystery shopper programmes and social media sites, the Group is dedicated to understand the needs of its customers and to continuously evaluate its service quality based on the feedbacks from communication channels. The Group has its Customer Satisfaction and Complaints Handling System and established standards to deal with complaints from the customers so that the Group can address customers' concerns and needs in a timely and professional manner, turning its customers' concerns into learning opportunities for the Group's continuous development.

The Group strictly follows regulatory requirements, industry guidelines and internal procedures to improve customer health and safety, promote responsible marketing and ensure information security of its customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Product Responsibility *(Continued)*

Customer Engagement (Continued)

To extend the Group's commitment to promote better indoor air quality for the customers, City Garden Hotel and The Royal Pacific Hotel & Towers are two of the pioneer hotels in Hong Kong to go 100% smoke-free. Smoking is prohibited in all the guest rooms, restaurants, common areas and all enclosed facilities. These measures help to provide a health-conscious and smoke sensitive environment for the global travellers, and guarantee the guests to stay out from both the second and lingering third-hand smoke.

To promote social integration and inclusion, the Group is dedicated to cultivate a barrier-free environment and culture at the hotels. The Group is one of the pioneering groups in the hospitality industry to introduce Braille menus for the visually impaired individuals at its hotels' restaurants and support guide dog services. To ensure that its hotels colleagues are capable of catering the needs of customers, the hotels colleagues are required to attend regular guide dog training sessions to attain the required skillsets. In recognition of the Group's effort in advocating social inclusion, The Royal Pacific Hotel & Towers and City Garden Hotel have been honoured to be selected as Barrier-Free Hotels by Hong Kong Council of Social Service since 2013.

Protecting Personal Data Privacy and Intellectual Property

The Group has put in place its 'Internet Privacy Policy' as it understands that it is of paramount importance to safeguard customers' data privacy and handle customers' personal data carefully. The purpose of collecting personal information of the customers on the hotels' website, type of personal information to be collected, the third parties with whom the Group might share such information, and the ways the customers can access or correct the personal information they have provided, are all pinned down in the Group's 'Internet Privacy Policy'. Furthermore, all employees are required to keep abreast of and fully comply with the Personal Data (Privacy) Ordinance at all time when handling customers' personal data.

For the year ended 30th June, 2018, the Company is not aware of any material non-compliance with relevant laws and regulations relating to health and safety, advertising, labeling and privacy matters related to products and services provided and methods of redress that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Anti-corruption

The success of a company relies on a strong ethical foundation and staff integrity. The Group prohibits, among others, bribery and corruption. Employees are required to conduct themselves with integrity, in an ethical and proper manner, and in compliance with the applicable laws and regulations of the countries in which the Group operates, including anti-bribery laws.

The employees of the Group are required to comply with the 'Code of Conduct' of the Group, which includes, inter alia, policies, rules, guidelines and procedures relating to prevention of bribery, solicitation and acceptance of advantages, conflict of interest, falsifying documents or furnishing false accounting records, and acceptance of gifts and entertainment from third parties.

A confidential and secure mechanism, namely the Business Ethics Committee comprising management staff, is put in place through the introduction of the 'Unethical Conduct Notification Policy and Procedures' ("UCN Policy and Procedures"). The mechanism strives to protect employees against unethical conducts such as dishonesty, fraud or harassment, while assisting the Group in achieving its business commitments and upholding corporation integrity. The Group encourages employees to raise and report any concerns, in confidence, about misconduct, malpractice or irregularities in any matters related to the Group. In situation where an employee identifies any possible breach of the 'Code of Conduct' or misconducts, he can report to the Business Ethics Committee or the Risk and Control Committee through formal whistle-blowing procedures under the 'UCN Policy and Procedures'. The confidentiality of all reporting persons is strictly protected and every reasonable effort will be made to maintain the confidentiality to ensure that no retaliation will result for reports or complaints on reportable misconduct made in good faith. The mechanism will be followed by careful investigation procedures to ensure all complaints are treated promptly and fairly. The 'UCN Policy and Procedures' undergoes regular monitoring and review to assess its effectiveness. Furthermore, relevant trainings for the 'UCN Policy and Procedures' are also conducted from time to time for staff.

For the year ended 30th June, 2018, the Company is not aware of any material non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Community Investment

The Group has launched various programmes and initiatives on corporate social responsibility front with the aim to drive the Group's efforts in 'building a sustainable environment' and 'serving the community'. Certain initiatives in 'building a sustainable environment' has been highlighted in the above sections. Other initiatives relating to 'serving the community' are highlighted below.

The Group believes that spreading love with others through extending support to different types of targets, such as the elderly, the underprivileged and physical impaired, and participating in community services is essential to constructing a better society. Adhering to its sustainability policy, the Group fosters volunteering culture and community service by leveraging the hotels' resources and organizing a number of meaningful and sustainable community programmes for these targets.

Caring for the Elderly

Through the Hearty Soup Delivery Programme, which was organized in partnership with various community service centres, homemade soup prepared by the hotels chefs are delivered to the elderly people in need regularly. Ad-hoc soup deliveries are also arranged particularly during winter to bring warmth and festive joy to the elderly. Since the launch of the programme in 2011, over 40,600 elderly residents in need across different community districts in Hong Kong are served and over 300 soup delivery events have been organized. To further spread love and care to the elderly, the Group also hosts birthday celebrations in different community service centres so as to foster a caring and harmonious culture.

Caring for Underprivileged Families

The Group has been a long-time supporter for the Food Donation Programme, which was launched since 2011 and in collaboration with various food-related charities such as the Foodlink Foundation and Food Angel. The programme aims to conduct food donation of well-prepared hotels' cooked food to the underprivileged families in the local community every week. The Group's volunteers also visited several community service centres and delivered hotels' food to the residents in need.

For the year ended 30th June, 2018, 1,665 kg of food were distributed to food charities, which is equivalent to 6,687 meal boxes.

During the Mid-Autumn Festival in 2017, the Group delivered the hotels' mooncakes and chef-made festive meals to the underprivileged elderly and families. In partnership with Christian Action, upcycling lantern workshop was also held at The Royal Pacific Hotel & Towers for the children from underprivileged families to show their talent and creativity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL *(Continued)*

Community Investment *(Continued)*

Caring for the Underprivileged Women

Since 2015, the Group has participated in Soap for Hope Programme to recycle soap bars discarded from its hotels whilst promoting local women empowerment in Hong Kong. Every month, the collected soap bars are sent to members of the Hong Kong Federation of Women's Centres for processing. The processed, eco-friendly soap bars are donated to the underprivileged families and women in Hong Kong and developing countries. This programme aims to provide job opportunities and empowerment to the underprivileged women in the society by helping them to instill and master new skills.

The Group further collaborates with Hong Kong Federation of Women's Centres and launched a new recycling programme, namely Linen for Life Programme to recycle hotels' guest rooms towels, bed linens and curtains. Through this programme, materials discarded by hotels are converted into new and useful items to support the underprivileged families.

Caring for the Physical Impairment Members

The Group redoubles its commitment in promoting social inclusion and integration by collaborating with Hong Chi Association to organize plastic bottles upcycling workshop. The workshop aims to provide training opportunities and share skills to the physical impairment students from Hong Chi Association, and offers a platform for the students to unleash their creativity and cascade the plastic recycling message.

RISK MANAGEMENT REPORT

RISK POLICY STATEMENT

Robust and effective management of risks is an essential and integral part of corporate governance. It helps to ensure that the risks encountered in the course of achieving the Group's strategic objectives are managed within the Group's risk appetite.

To achieve this, an Enterprise Risk Management ("ERM") approach is adopted for identifying, assessing, responding to and reporting on risks that might affect the Group in pursuit of its objectives and goals. The purposes of the implementation of ERM are as follows:

- to establish a structured and comprehensive process for identifying, assessing, reporting and managing risks;
- to define roles and responsibilities within a "Three Lines of Defence" framework;
- to increase risk awareness at all levels;
- to enhance constructive discussion, effective communication and timely escalation of risks by adopting a common platform for risk management;
- to focus on risks that are relevant to the Group's business and reputation, the Board's requirements and stakeholders' expectations;
- to provide senior management and the Board with a holistic view of the Group's material risk exposures and steps taken to manage and monitor such exposures;
- to provide senior management and the Board with the best available risk information and facilitate the making of informed decisions;
- to ensure compliance with the relevant laws and regulations, and the best practices in corporate governance; and
- to help creating and protecting the value of the Group.

The Group is committed to continuously improving its ERM framework and processes and building a risk-aware culture across the Group with a view to achieving a sustainable and balanced development.

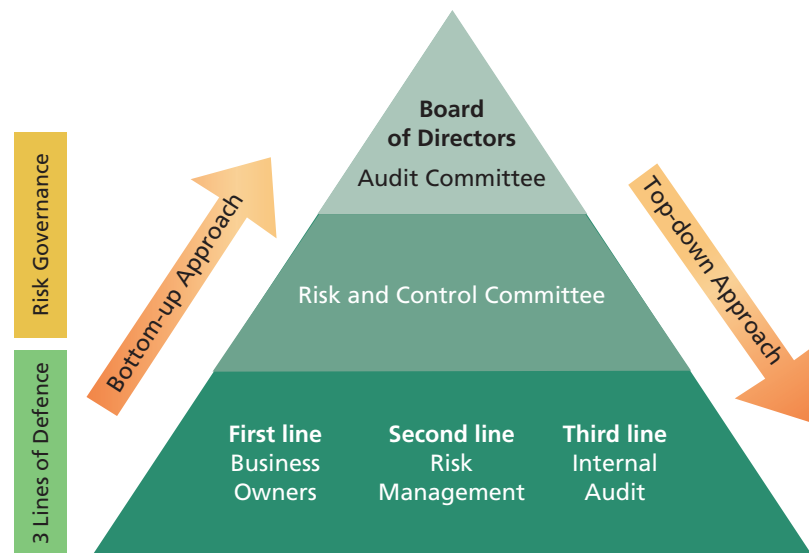
RISK MANAGEMENT REPORT *(Continued)*

RISK GOVERNANCE AND MANAGEMENT

In August 2016, the Audit Committee approved the ERM Policy and Framework, which was based on the International Standard ISO 31000:2009 Risk Management – Principles and Guidelines, proposed by the Risk Management function of the Internal Audit Department. To ensure continued relevance and for continuous improvement, the ERM Policy and Framework has been reviewed and updated with changes in the newly released ISO 31000:2018.

The Group adopts a “Three Lines of Defence” model in risk governance. This is manifested by the oversight and directions from the Board, the Audit Committee and the Risk and Control Committee (formerly known as Internal Audit Committee) of the Group. The risk management framework of the Group combines a top-down strategic view with a bottom-up operational assessment conducted by each division and department. Members of senior management discuss the top-tier risks escalated through the bottom-up process and deliberate on any other risk issues that they consider important. This combined approach ensures that all the significant risks which need to be considered are identified and managed properly.

The following diagram illustrates the Group’s Risk Governance and Management Framework:



The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group’s strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

RISK MANAGEMENT REPORT *(Continued)*

RISK GOVERNANCE AND MANAGEMENT *(Continued)*

The Audit Committee is delegated with the authority from the Board to oversee the Group's management in the design, implementation and monitoring of the risk management and internal control systems. The Audit Committee advises the Board on the Group's risk-related matters. The Audit Committee is also responsible for reviewing and approving the Group's ERM Policy and Framework and for ensuring the adequacy and effectiveness of the Group's risk management and internal control systems. The Head of Internal Audit Department reports regularly to the Audit Committee, which in turn reports to the Board, on the Group's overall risk position and key exposures, the actions planned or taken by management, and major emerging risks that require special attention.

The Risk and Control Committee, with its formal terms of reference approved by the Audit Committee, is made up of members from senior management. The Risk and Control Committee assists the Audit Committee in discharging its corporate governance responsibilities for risk management and internal control. Regarding risk management, the Risk and Control Committee is responsible for ensuring that the ERM system is adequate and effective and that the ERM framework is implemented consistently throughout the Group. It monitors the Group's overall risk profiles by reviewing the key risks relating to individual business units and the key risks that are enterprise-wide, and ensures alignment with the approved risk appetite.

As the first line of defence, heads of individual divisions and departments manage risks faced by their business units/functions. As the risk owners, they identify and evaluate the risks which may potentially impact the achievement of their business objectives, mitigate and monitor the risks by designing and executing control procedures in their day-to-day operations. They conduct risk assessment and control self-assessment on a regular basis to evaluate the adequacy and effectiveness of controls that are in place to mitigate the identified risks.

As the second line of defence, the Risk Management function is responsible for the ongoing maintenance of the ERM infrastructure and recommending changes to the Risk and Control Committee and the Audit Committee as appropriate. The Risk Management function collects and collates risk information to create an enterprise-wide view of risks and controls. In doing so, it critically reviews the risk assessment results of individual business units, constructively challenges their views so as to ensure that all the risks relevant to the Group are properly identified, consistently assessed and timely reported. It prepares reports for the Risk and Control Committee and the Audit Committee and escalates risk and control issues with reference to the risk appetite thresholds.

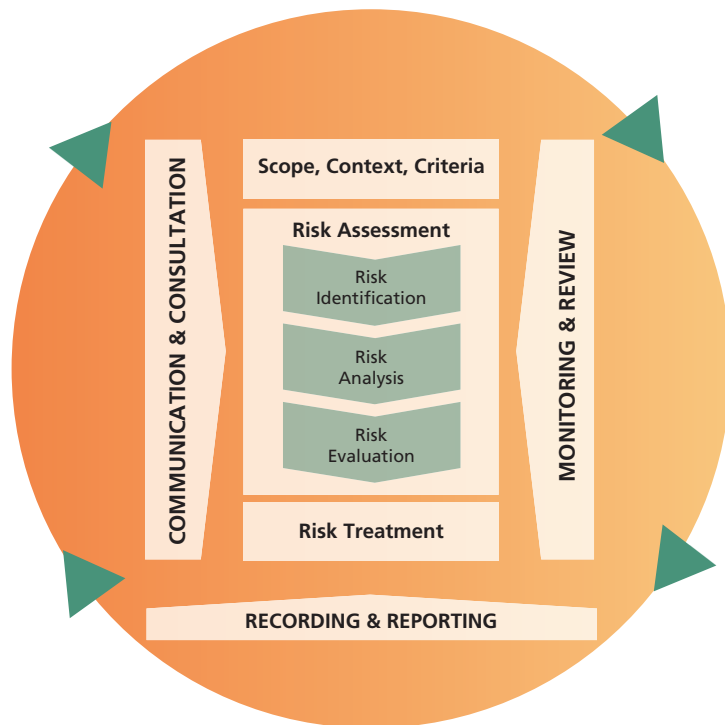
RISK MANAGEMENT REPORT *(Continued)*

RISK GOVERNANCE AND MANAGEMENT *(Continued)*

As the third line of defence, the Internal Audit Department acts as an independent assessor. It conducts independent review and assessment of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department assesses if all the key risks are properly identified and evaluated according to the approved ERM Policy and Framework and whether the existing key controls are operating effectively. The risk assessment results are also mapped to the internal audit plan to ensure the audit performed by the Internal Audit Department systematically covers all the significant risks and the corresponding key controls. As such, the Internal Audit Department is able to provide independent assurance on the adequacy and effectiveness of the risk management and internal control systems and reports any deficiencies and room for improvement to the Risk and Control Committee and the Audit Committee.

RISK MANAGEMENT PROCESS

The ERM process is illustrated in the diagram below:



(Source: The ISO 31000:2018 Risk Management Process)

RISK MANAGEMENT REPORT *(Continued)*

RISK MANAGEMENT PROCESS *(Continued)*

a) Communication and consultation

Communication and consultation with appropriate external and internal stakeholders takes place within and throughout all steps of the ERM process. For instance, the management team holds daily meeting to raise risk concerns, discuss emerging risks identified and formulate early response actions.

b) Scope, context, criteria

The risk management process applies to all business and decision-making processes, including the formulation of strategic objectives, business planning and day-to-day operations. The context of the ERM process is developed from the understanding of the external and internal environment in which the Group operates, taking into account the relevant external and internal factors, the relationships with the external and internal stakeholders and the contractual relationships and commitments to ensure that the risk management approach adopted is appropriate for the Group. To ensure a common assessment standard is adopted, risk criteria are defined to measure the relative significance of risk.

c) Risk identification

Divisions and departments analyze their respective business activities and main processes to identify operational risks, which forms a “bottom-up” approach. A “top-down” approach is also adopted by the senior management to identify business/strategic risks. Combining the output from the two approaches, a comprehensive list of risks for individual business units and hence for the Group can be generated. Risk classification system is used to facilitate the identification and accumulation of similar risks.

d) Risk analysis

The purpose of risk analysis is to comprehend the nature of risk and its characteristics. Risk analysis involves a detailed consideration of the risk sources, the consequences and likelihood, the existing controls and their effectiveness.

RISK MANAGEMENT REPORT *(Continued)*

RISK MANAGEMENT PROCESS *(Continued)*

e) **Risk evaluation**

Divisions and departments use the predefined criteria to assign scores for the risks identified. With reference to the risk matrix (i.e. a combination of the consequence and likelihood scores), the risk ratings are determined (i.e. low risk, moderate risk, high risk and extreme risk). The risk ratings reflect the management attention and risk treatment effort required, taking into account the Group's risk appetite.

f) **Risk treatment**

The adequacy of existing controls is assessed in order to determine if additional measures are required to bring the remaining risks to an acceptable level. When determining the appropriate risk treatment plans, one or more of the following four types of risk response will generally be adopted:

- avoid (not to start or not to continue with the activity that gives rise to the risk);
- reduce (lessening the likelihood or consequences);
- transfer (sharing the risk with another party, e.g. insurance); and
- accept (retaining the risk by making an informed decision).

g) **Monitoring and review**

Annual risk assessment is conducted to effectively manage the Group's risk profile. A half-yearly review is also conducted to update the progress of risk treatment plans and incorporate changes in the external and internal environment. Key risks and emerging risks are reviewed at least quarterly and at the situation may require.

h) **Recording and reporting**

The results of risk assessment are documented in the risk registers in a consistent manner. All the identified risks, risk scoring and ratings, together with the details of existing controls and proposed treatment plan (if any) are recorded in the risk registers.

Quarterly ERM report is prepared for the Risk and Control Committee and the Audit Committee. The Group's top tier risks are presented in a heat map which provides a dynamic and forward-looking picture of the Group's risk position. The changes in risk profile since the last review, the corresponding key controls and risk treatment plans, as well as the targeted risk positions upon the completion of risk treatment plans with specified time frame are highlighted in the ERM reports. The potential/expected trend of certain risks, such as emerging risk, is also indicated on the heat map.

RISK MANAGEMENT REPORT *(Continued)*


PRINCIPAL RISKS TO THE GROUP

The principal risks faced by the Group include the following:

Risk Category	Risk Description	Risk Movement*	Key Controls/ Mitigation Measures
Strategic Risk	Changes in macro-economic outlook and government policies resulting in decrease in number of visitor/tourist/customer		<ul style="list-style-type: none"> • Closely monitoring changes in global and local economic outlook as well as Mainland China policy, and making appropriate responses promptly • Constantly monitoring business performance and adjusting our pricing and marketing strategies accordingly • Continuous effort on market diversification to attract visitors from different countries • Regular review of the conditions of our properties to determine if hotel facilities upgrade or renovation is necessary • Continuously improving the quality of our services to strengthen our brand and market position
Operational Risk	Human resources – tight labour market		<ul style="list-style-type: none"> • Regular review of compensation and benefit package to ensure competitiveness • Continuous and strong focus on staff development, e.g. providing in-house training and development programmes to retain our staff • Succession planning
	Cyber security		<ul style="list-style-type: none"> • Implementation of security measures such as firewall, anti-spam and anti-virus protection • Ongoing review of IT infrastructure and systems and the need for upgrade/enhancement • Internal communication and training on cyber-attack threats

RISK MANAGEMENT REPORT *(Continued)*

PRINCIPAL RISKS TO THE GROUP *(Continued)*

Risk Category	Risk Description	Risk Movement*	Key Controls/ Mitigation Measures
Operational Risk <i>(Continued)</i>	Disaster event, e.g. epidemic, terrorist attack		<ul style="list-style-type: none"> • Comprehensive insurance coverage for our properties and business operations • Contingency plans developed for critical business processes/ functions • Taking immediate response actions, e.g. stepping up hygiene measures when potential threat of epidemic increases

For the financial risks of the Group, please refer to “Notes to the Consolidated Financial Statements” on pages 138 to 141.

* Key – Risk Movement *(change from last year)*

 Risk rating increased

 Risk rating remained broadly the same

 Risk rating decreased

INTEGRATION OF RISK MANAGEMENT WITH INTERNAL CONTROL SYSTEM

Risk management is closely linked to the Group’s Internal Control Framework. Key controls for mitigating high risk items identified in the ERM process are subject to independent reviews and tests by the Internal Audit Department in order to assess their adequacy and effectiveness. Details of the internal control system are set out in the “Corporate Governance Report” on pages 26 to 30.

REVIEW OF THE EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

During the year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the Group’s risk management and internal control systems. Details of the aforesaid review of effectiveness are described in the “Corporate Governance Report” on pages 29 to 30.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30th June, 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 28 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2018 are set out in notes 28 and 16 to the consolidated financial statements, respectively.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 6 to 11 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the Risk Management Report on pages 60 to 67. Also, the financial risk management objectives and policies of the Group can be found in Note 30 to the consolidated financial statements. There were no important events affecting the Group since the end of the financial year ended 30th June, 2018. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 146 of this Annual Report.

The Group has set up proper procedures to ensure adherence to the relevant laws and regulations which have a significant impact on the Group in conduct of its business, including but not limited to the Competition Ordinance, Personal Data (Privacy) Ordinance, Minimum Wage Ordinance, Employment Ordinance and Occupational Safety and Health Ordinance in Hong Kong. The Group also complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the applicable companies laws and the Securities and Futures Ordinance ("SFO"). Any new enactment of or changes in the relevant laws and regulations would be communicated to the relevant departments and staff to ensure compliance. Reminders on the compliance would also be sent out regularly where necessary.

Discussions on the Group's environmental policies, performance and relationships with its key stakeholders are contained in the Environmental, Social and Governance Report on pages 40 to 59. No incident of non-compliance to environmental laws and regulations that has a significant impact on the Group was recorded for the financial year ended 30th June, 2018.

DIRECTORS' REPORT *(Continued)*

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 92.

An interim dividend of HK4.5 cents per share amounting to HK\$48,372,305, including HK\$1,151,129 by way of cash dividends and HK\$47,221,176 by way of scrip alternatives, was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK5 cents per share amounting to HK\$54,459,026 payable to shareholders whose names appear on the Register of Members of the Company on 1st November, 2018.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The reserves available for distribution to the shareholders by the Company at 30th June, 2018 consisted of share premium, distributable reserve and retained profits totalling HK\$2,087,393,914.

Under the Companies Law (2018 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 product approach in its treasury management with foreign exchange exposure being kept at a minimal level and interest rates on floating rate bases. No interest was capitalised by the Group during the year.

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)*

NAME OF DIRECTOR

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

Executive Directors

Mr. Robert Ng Chee Siong (Chairman)
Mr. Daryl Ng Win Kong (Deputy Chairman)
Mr. Giovanni Viterale

Non-Executive Directors

The Honourable Ronald Joseph Arculli
Mr. Gilbert Lui Wing Kwong

Independent Non-Executive Directors

Mr. Peter Wong Man Kong
Mr. Adrian David Li Man-kiu (retired on 26th October, 2017)
Mr. Steven Ong Kay Eng
Mr. Wong Cho Bau

In accordance with the Company's Articles of Association and pursuant to Appendix 14 to the Listing Rules, The Honourable Ronald Joseph Arculli, Mr. Gilbert Lui Wing Kwong and Mr. Wong Cho Bau 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, 2018, the interests and short positions held by the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, were as follows:

(A) Long Positions in Shares of the Company

Name of Director	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Shares
Mr. Robert Ng Chee Siong	523,696,117 <i>(Note)</i>	Beneficial owner of 306,966 shares, spouse interest in 910,904 shares and trustee interest in 522,478,247 shares in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.08%
The Honourable Ronald Joseph Arculli	286,123	Beneficial owner	0.02%
Mr. Gilbert Lui Wing Kwong	–	–	–
Mr. Peter Wong Man Kong	–	–	–
Mr. Steven Ong Kay Eng	–	–	–
Mr. Wong Cho Bau	–	–	–
Mr. Daryl Ng Win Kong	–	–	–
Mr. Giovanni Viterale	–	–	–

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS *(Continued)*

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

Note:

The trustee interest in 522,478,247 shares comprises:

- (a) 474,167,601 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 45,991,943 shares by Fanlight Investment Limited, 65,397 shares by Garford Nominees Limited, 19,676,129 shares by Karaganda Investments Inc., 61,909,292 shares by Nippomo Limited, 1,773,950 shares by Orient Creation Limited, 125,138,359 shares by Strathallan Investment Limited, 5,381,554 shares by Strong Investments Limited, 185,827,229 shares by Tamworth Investment Limited and 28,403,748 shares by Transpire Investment Limited;*
- (b) 2,130,000 shares which were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which the co-executors of the estate of the late Mr. Ng Teng Fong had a 72.01% control; and*
- (c) 46,180,646 shares which were held by the co-executors of the estate of the late Mr. Ng Teng Fong.*

(B) Long Positions in Shares of Associated Corporation

Mr. Robert Ng Chee Siong was deemed to be interested in shares of the following company through corporation controlled by him:

Name of Associated Corporation	Number of Ordinary Shares	% of Issued Shares
FHR International Limited	1 <i>(Note)</i>	33.33%

Note: The share was held by Smart Link Limited in which Mr. Robert Ng Chee Siong had a 100% control.

Save as disclosed above, as at 30th June, 2018, none of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT *(Continued)*

SHARE OPTION SCHEMES	The Company and its subsidiaries have no share option schemes.
ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES	At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.
DIRECTORS' INTERESTS IN COMPETING BUSINESSES	<p>Pursuant to Rule 8.10(2) of the Listing Rules, the Company discloses that during the year, the following current Directors held share interests and/or directorships in companies engaged in businesses which compete or likely to compete, either directly or indirectly, with the businesses of the Group:</p> <p>Mr. Robert Ng Chee Siong and Mr. Daryl Ng Win Kong held share interests and directorships in companies of the Ng Family (including Mr. Robert Ng Chee Siong, Mr. Philip Ng Chee Tat, and as co-executors of the estate of the late Mr. Ng Teng Fong and/or their respective associates) which engage in business of hotel operation.</p> <p>The Honourable Ronald Joseph Arculli is a Non-Executive Director of HKR International Limited, which engages in business of hotel operation.</p> <p>As the Board of Directors of the Company is independent of the boards of the aforesaid companies and maintains three Independent Non-Executive Directors, the Group operates its businesses independently of, and at arm's length from, the businesses of the aforesaid companies.</p>
DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS	<p>Details of Directors' material interests in transactions, arrangements or contracts of significance are set out in Note 27 to the consolidated financial statements.</p> <p>Other than as disclosed in Note 27 to the consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.</p>
PERMITTED INDEMNITY PROVISION	Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group 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).

DIRECTORS' REPORT (Continued)

CONNECTED TRANSACTIONS

Continuing Connected Transactions for the year ended 30th June, 2018

The Company announced on 31st July, 2015 that Bright Tower (HK) Limited ("Bright Tower"), a wholly-owned subsidiary of the Company, was awarded on 31st July, 2015, through a tendering process, a clubhouse management contract ("Contract") by Sino Estates Management Limited ("SEML") for provision of management services by Bright Tower to the clubhouse of Pacific Palisades for a 24-month period from 1st August, 2015 to 31st July, 2017.

Applicable particulars of such Contract together with the total amount received/paid in respect of the transaction for the year ended 30th June, 2018 are disclosed herein as required under the Listing Rules:

Parties to the Transaction		Nature of Transaction	Basis of Consideration	Applicable Annual Cap(s) under the Contract	Total Amount received/paid for the Year ended 30th June, 2018
Service Provider	Service Recipient				
Bright Tower	SEML, the building management company appointed under the deed of mutual covenants of Pacific Palisades and an agent for the unincorporated body of owners of Pacific Palisades	Provision of management services by Bright Tower to the clubhouse of Pacific Palisades	HK\$330,000 payable monthly by SEML to Bright Tower under the Contract, based on the tender price submitted by Bright Tower, is arrived at on an arm's length basis after considering the estimated cost and profit margin for providing the clubhouse management services	HK\$330,000 for the period from 1st July, 2017 to 31st July, 2017 (i.e. HK\$330,000 x 1 month)	HK\$0.33 million

The Company further announced on 20th July, 2017 that a new clubhouse management contract ("New Contract") was awarded on 20th July, 2017 by SEML to Bright Tower, through a tendering process, pursuant to which Bright Tower would manage the clubhouse of Pacific Palisades for a further 24-month period from 1st August, 2017 to 31st July, 2019 at a monthly service fee of HK\$405,000.

DIRECTORS' REPORT (Continued)

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions for the year ended 30th June, 2018 (Continued)

Applicable particulars of such New Contract together with the total amount received/paid in respect of the transaction for the year ended 30th June, 2018 are disclosed herein as required under the Listing Rules:

Parties to the Transaction		Nature of Transaction	Basis of Consideration	Applicable Annual Cap(s) under the New Contract	Total Amount received/paid for the Year ended 30th June, 2018
Service Provider	Service Recipient				
Bright Tower	SEML, the building management company appointed under the deed of mutual covenants and management agreement of Pacific Palisades and an agent for the unincorporated body of owners of Pacific Palisades	Provision of management services by Bright Tower to the clubhouse of Pacific Palisades	HK\$405,000 payable monthly by SEML to Bright Tower under the New Contract, based on the tender price submitted by Bright Tower, is arrived at on an arm's length basis after considering the estimated cost and profit margin for providing the clubhouse management services	(i) HK\$4,455,000 for the period from 1st August, 2017 to 30th June, 2018 (i.e. HK\$405,000 x 11 months) (ii) HK\$4,860,000 for the period from 1st July, 2018 to 30th June, 2019 (i.e. HK\$405,000 x 12 months) (iii) HK\$405,000 for the period from 1st July, 2019 to 31st July, 2019 (i.e. HK\$405,000 x 1 month)	HK\$4.46 million

Boatswain Enterprises Limited ("Boatswain") and its wholly-owned subsidiary, Beverhill Limited ("Beverhill"), being controlled by the Ng Family, are two of the owners of Pacific Palisades which together are interested in a total of approximately 60% of the undivided shares of Pacific Palisades. The Ng Family is a connected person of the Company by virtue of it being the controlling shareholder of the Company. Boatswain and Beverhill, being associates of the Ng Family, are also connected persons of the Company. On such basis, the provision of clubhouse management services by Bright Tower to the unincorporated body of owners of Pacific Palisades under the aforesaid contracts constituted continuing connected transactions of the Company under the Listing Rules.

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

Continuing Connected Transactions for the year ended 30th June, 2018 *(Continued)*

During the year, the above continuing connected transactions were carried out within their respective applicable annual caps for the year. The Internal Audit Department has reviewed the above continuing connected transactions and concluded that the internal controls over such continuing connected transactions are adequate and effective. The findings have been submitted to the Audit Committee.

The Independent Non-Executive Directors have reviewed and confirmed that during the year, the above continuing connected transactions were conducted and entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Details of the above continuing connected transactions have been disclosed in accordance with Chapter 14A of the Listing Rules and are set out in the respective announcements of the Company which are available at the Stock Exchange's website and the Company's website at www.sino.com.

Details of other related party transactions are set out in Note 27 to the consolidated financial statements.

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2018, the interests and short positions of the substantial shareholders and other shareholders (other than Directors of the Company) in the shares and underlying shares of the Company as notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions in Shares of the Company

Name of Substantial Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Shares
Mr. Philip Ng Chee Tat	504,036,830 <i>(Notes 1, 2, 3, 4 and 5)</i>	Interest of controlled corporation in 3,143,449 shares and trustee interest in 500,893,381 shares in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.22%
Tamworth Investment Limited	178,150,243 <i>(Notes 3 and 5)</i>	Beneficial owner	17.04%
Strathallan Investment Limited	119,968,581 <i>(Notes 3 and 5)</i>	Beneficial owner	11.47%
Name of Other Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Shares
Nippomo Limited	59,351,666 <i>(Notes 3 and 5)</i>	Beneficial owner	5.67%

DIRECTORS' REPORT *(Continued)*

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

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

Notes:

1. 3,143,449 shares were held by Far East Ventures Pte. Ltd. which was 100% controlled by Mr. Philip Ng Chee Tat.
2. The trustee interest in 500,893,381 shares comprises:
 - (a) 454,578,566 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 44,091,902 shares by Fanlight Investment Limited, 62,697 shares by Garford Nominees Limited, 18,863,262 shares by Karaganda Investments Inc., 59,351,666 shares by Nippomo Limited, 1,700,665 shares by Orient Creation Limited, 119,968,581 shares by Strathallan Investment Limited, 5,159,231 shares by Strong Investments Limited, 178,150,243 shares by Tamworth Investment Limited and 27,230,319 shares by Transpire Investment Limited;
 - (b) 2,042,006 shares which were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which the co-executors of the estate of the late Mr. Ng Teng Fong had a 72% control; and
 - (c) 44,272,809 shares which were held by the co-executors of the estate of the late Mr. Ng Teng Fong.
3. The interests of Tamworth Investment Limited, Strathallan Investment Limited and Nippomo Limited were duplicated in the interests of the co-executors of the estate of the late Mr. Ng Teng Fong.
4. The trustee interest of Mr. Philip Ng Chee Tat was duplicated in the trustee interest of Mr. Robert Ng Chee Siong as disclosed under the section headed "Directors' Interests" above as the co-executors of the estate of the late Mr. Ng Teng Fong.
5. The number and the percentage of shares as disclosed are based on the substantial shareholder notices filed with the Stock Exchange.

Save as disclosed above and so far as the Directors of the Company are aware, as at 30th June, 2018, no other person (other than Directors of the Company) had an interest or short position in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder of the Company.

DIRECTORS' REPORT *(Continued)*

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

MAJOR SUPPLIERS AND CUSTOMERS

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

RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in fund under the control of trustee. As at 30th June, 2018, the Group employed approximately 343 employees.

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 16 to 39.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
Robert NG Chee Siong
Chairman

Hong Kong, 30th August, 2018

CONRAD HONG KONG



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 Admiralty Station and Pacific Place, a premium shopping and entertainment complex.

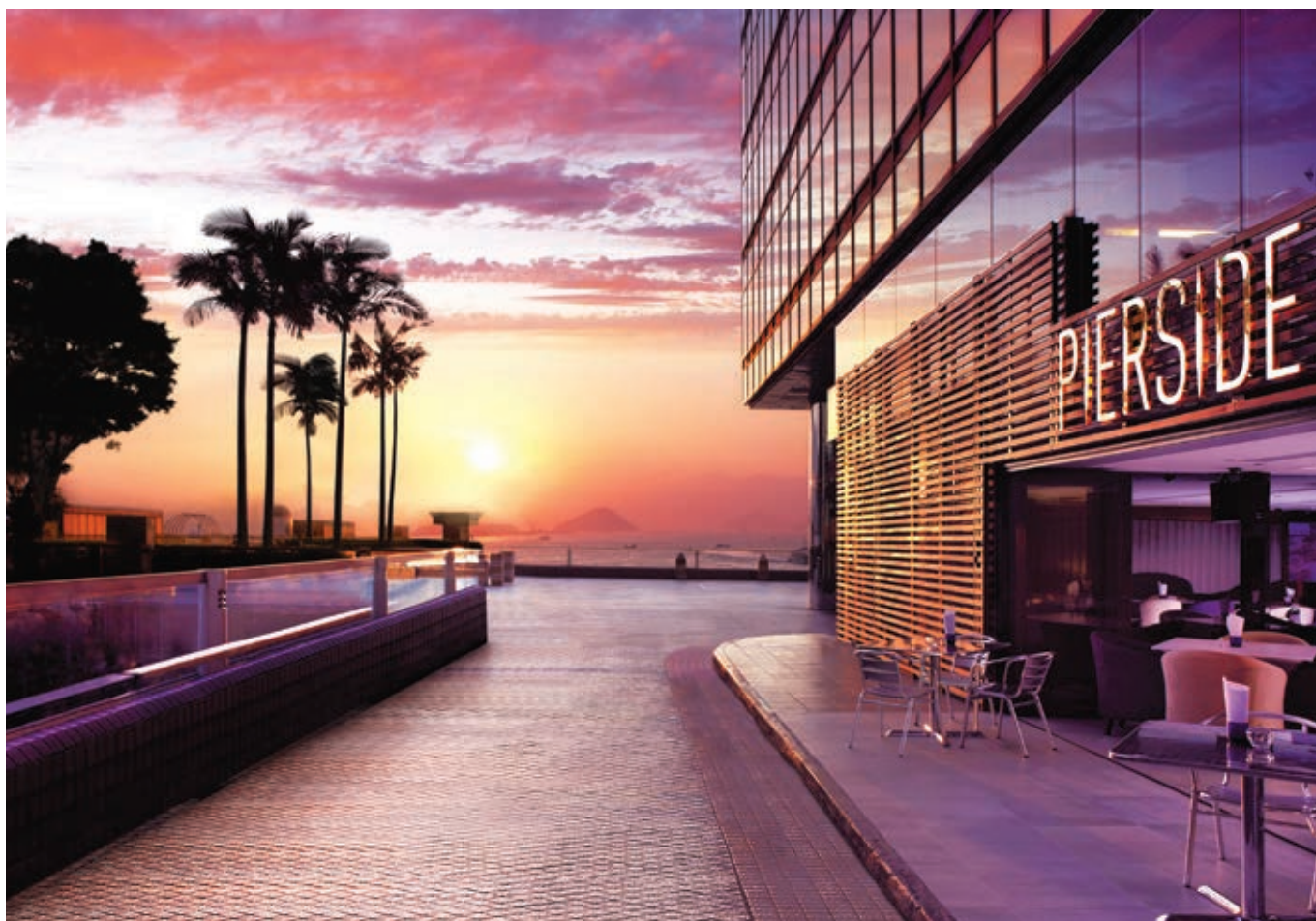


Towering from the 40th to the 61st floor, Conrad Hong Kong features 514 rooms which include 45 suites and an executive lounge. All rooms offer unparalleled views of Victoria Harbour or the picturesque Victoria Peak. The hotel has an extensive range of function rooms including one of the city's largest column-free ballrooms. It also features a range of award-winning restaurants and bars, 24-hour Health Club and a heated outdoor swimming pool.



CONRAD®
HONG KONG

THE ROYAL PACIFIC HOTEL & TOWERS



THE ROYAL PACIFIC HOTEL & TOWERS

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



Buffet at Café on the PARK



The Hotel has gained a reputation as a favourite venue for business functions and private celebrations. The Imperial and Pacific Rooms can accommodate up to 420 guests for conferences and banquets; comprehensive facilities include access to the internet, video conferencing and audio-visual equipment.

Dining options at the Hotel include Café on the PARK for all-day buffet dining, Pierside Bar & Restaurant serving market-fresh seafood vis-à-vis the mesmerising harbour views and Satay Inn for authentic Singapore cuisines in a relaxing alfresco setting.



Harvey Bay Seafood Pot at Pierside Bar & Restaurant



The Royal Pacific

Hotel and Towers

HONG KONG

CITY GARDEN HOTEL



CITY GARDEN HOTEL

City Garden Hotel is ideal for both business and leisure travellers thanks to its location and superb connectivity. With Fortress Hill Station a mere 5-minute stroll away, guests enjoy easy access to the shopping and dining hotspot of Causeway Bay as well as Hong Kong's must-see destinations and business hubs.



The hotel provides 613 rooms and suites measuring up to 600 sq. ft. Its carefully planned amenities encompass complimentary Wi-Fi access, free use of Handy Smartphone and recreational facilities.

Catering to diners and connoisseurs, our restaurants provide authentic Cantonese fare, international cuisines, regional favourites as well as warm and attentive services. In addition to the award-winning YUÈ, one of the most sought-after Chinese restaurants of the district, Garden Café attracts food lovers with its international buffets while Satay Inn delivers time-honoured, authentic Singaporean cuisines.



City Garden Hotel
HONG KONG

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

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

OPINION

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 92 to 145, which comprise the consolidated statement of financial position as at 30th June, 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30th June, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

KEY AUDIT MATTER *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of hotel properties

We identified the impairment of the Group's and its associates' hotel properties as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, combined with the judgments involved in determining whether any impairment should be recognised on hotel properties and the associates' hotel properties.

At the end of the reporting period, the management of the Group reviews the carrying amounts of such assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the management assess the recoverable amount of the asset with reference to the valuations performed by independent and qualified professional valuer (the "Valuer") by income capitalisation method.

The estimation of the recoverable amount of the hotel properties involve management judgment and is dependent on certain assumptions and significant inputs including the market capitalization rates and estimated revenue per available room, which are affected by expected future market or economic conditions of the hospitality industry.

Based on management's analysis of the recoverable amount of the hotel properties, no write-downs were considered to be necessary.

Our procedures in relation to impairment assessment of hotel properties included:

- Understanding the management's process for estimating the recoverable amounts of the hotel properties;
- Evaluating the competence, capabilities and objectivity of the Valuer, and considered their qualifications as well as appropriateness of the Valuer's scope of work;
- Evaluating the reasonableness of the assumptions, judgments, valuation techniques and the key inputs adopted by the Valuer by comparing these estimates and judgments, e.g. market capitalization rates and estimated revenue per available room to entity-specific information and market data; and
- Evaluating the historical accuracy of the Valuer's assessment of the recoverable amount of the hotel properties by comparing the historical estimates to actual performance in current year.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ip Chiu Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th August, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30th June, 2018

	<i>NOTES</i>	2018 HK\$	2017 <i>HK\$</i>
Revenue	5	313,669,026	300,902,005
Direct expenses		(116,832,801)	(110,611,679)
Gross profit		196,836,225	190,290,326
Other losses, gains and income		(3,729,475)	3,744,059
Other expenses		(92,956,078)	(86,565,292)
Marketing costs		(10,790,527)	(9,018,886)
Administrative expenses		(29,451,681)	(28,697,682)
Finance income	7	16,856,572	11,107,137
Finance costs	8	(62,890)	(30,591)
Finance income, net		16,793,682	11,076,546
Share of results of associates		131,552,757	109,660,705
Profit before taxation	9	208,254,903	190,489,776
Income tax expense	10	(13,127,387)	(12,577,161)
Profit for the year attributable to the Company's shareholders		195,127,516	177,912,615
Earnings per share – basic	14	18.22 cents	17.08 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30th June, 2018

	2018 HK\$	2017 HK\$
Profit for the year	<u>195,127,516</u>	<u>177,912,615</u>
Other comprehensive (expense) income		
Item that may be subsequently reclassified to profit or loss: (Loss) gain on fair value changes of available-for-sale financial assets	(234,110,128)	488,425,454
Item that has been reclassified to profit or loss: Reclassification adjustment upon disposal of available-for-sale financial assets	<u>1,123,234</u>	<u>–</u>
Other comprehensive (expense) income for the year	<u>(232,986,894)</u>	<u>488,425,454</u>
Total comprehensive (expense) income for the year attributable to the Company's shareholders	<u>(37,859,378)</u>	<u>666,338,069</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2018

	NOTES	2018 HK\$	2017 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,279,733,553	1,326,293,345
Interests in associates	16	1,183,946,846	1,211,437,589
Available-for-sale financial assets	17	922,383,941	1,181,655,645
		3,386,064,340	3,719,386,579
CURRENT ASSETS			
Hotel inventories		536,482	464,567
Trade and other receivables	20	19,445,449	16,560,827
Amounts due from associates	18	116,071,771	108,932,135
Time deposits, bank balances and cash	19	1,166,725,192	878,422,536
		1,302,778,894	1,004,380,065
CURRENT LIABILITIES			
Trade and other payables	21	30,372,367	26,424,064
Amount due to an associate	23	2,065,765	1,524,045
Taxation payable		16,257,660	13,943,297
		48,695,792	41,891,406
NET CURRENT ASSETS			
		1,254,083,102	962,488,659
TOTAL ASSETS LESS CURRENT LIABILITIES			
		4,640,147,442	4,681,875,238
CAPITAL AND RESERVES			
Share capital	22	1,089,180,526	1,059,731,842
Reserves		3,547,544,568	3,617,400,819
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS			
		4,636,725,094	4,677,132,661
NON-CURRENT LIABILITY			
Deferred taxation	24	3,422,348	4,742,577
		4,640,147,442	4,681,875,238

The consolidated financial statements on pages 92 to 145 were approved and authorised for issue by the Board of Directors on 30th August, 2018 and are signed on its behalf by:

Robert NG Chee Siong
Chairman

Daryl NG Win Kong
Deputy Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June, 2018

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$ (Note)	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 2016	1,029,406,361	449,852,677	30,249,961	902,829,117	1,600,591,609	4,012,929,725
Profit for the year	-	-	-	-	177,912,615	177,912,615
Gain on fair value changes of available-for-sale financial assets	-	-	488,425,454	-	-	488,425,454
Other comprehensive income for the year	-	-	488,425,454	-	-	488,425,454
Total comprehensive income for the year	-	-	488,425,454	-	177,912,615	666,338,069
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2016	15,766,755	24,438,470	-	-	-	40,205,225
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2017	14,558,726	26,293,059	-	-	-	40,851,785
Share issue expenses	-	(208,964)	-	-	-	(208,964)
Dividends	-	-	-	(82,983,179)	-	(82,983,179)
At 30th June, 2017	1,059,731,842	500,375,242	518,675,415	819,845,938	1,778,504,224	4,677,132,661
Profit for the year	-	-	-	-	195,127,516	195,127,516
Loss on fair value changes of available-for-sale financial assets	-	-	(234,110,128)	-	-	(234,110,128)
Reclassification adjustment upon disposal of available-for-sale financial assets	-	-	1,123,234	-	-	1,123,234
Other comprehensive expense for the year	-	-	(232,986,894)	-	-	(232,986,894)
Total comprehensive income (expense) for the year	-	-	(232,986,894)	-	195,127,516	(37,859,378)
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2017	15,208,277	31,465,911	-	-	-	46,674,188
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2018	14,240,407	32,980,769	-	-	-	47,221,176
Share issue expenses	-	(383,315)	-	-	-	(383,315)
Dividends	-	-	-	(96,060,238)	-	(96,060,238)
At 30th June, 2018	1,089,180,526	564,438,607	285,688,521	723,785,700	1,973,631,740	4,636,725,094

Note: The investment revaluation reserve movement results from changes in fair values of available-for-sale financial assets.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30th June, 2018

	2018 HK\$	2017 HK\$
OPERATING ACTIVITIES		
Profit before taxation	208,254,903	190,489,776
Adjustments for:		
Share of results of associates	(131,552,757)	(109,660,705)
Dividend income	(17,018,376)	(15,651,830)
Depreciation and amortisation of property, plant and equipment	51,846,050	45,432,032
Finance income	(16,856,572)	(11,107,137)
Finance costs	62,890	30,591
Loss on disposal of available-for-sale financial assets	1,001,498	–
Write off/(gain on disposal) of property, plant and equipment	122	(75)
Operating cash flows before movements in working capital	95,737,758	99,532,652
(Increase) decrease in hotel inventories	(71,915)	71,176
Increase in trade and other receivables	(171,226)	(298,940)
Increase (decrease) in trade and other payables	3,948,303	(1,502,333)
Cash generated from operations	99,442,920	97,802,555
Hong Kong Profits Tax paid	(12,133,253)	(12,104,551)
Dividends received from available-for-sale financial assets	879,952	1,453,105
NET CASH FROM OPERATING ACTIVITIES	88,189,619	87,151,109
INVESTING ACTIVITIES		
Dividend received from an associate	159,043,500	159,043,500
Interest received	14,143,176	9,281,599
Proceeds on disposal of property, plant and equipment	–	75
Proceeds on disposal of available-for-sale financial assets	41,421,736	–
Purchase of property, plant and equipment	(5,286,380)	(9,159,474)
Additions to available-for-sale financial assets	–	(160,851,884)
Repayment from associates	157,094,292	135,465,416
Advances to associates	(164,233,928)	(161,628,495)
Additions to time deposits with original maturity more than three months	(322,601,615)	(814,387,113)
NET CASH USED IN INVESTING ACTIVITIES	(120,419,219)	(842,236,376)
FINANCING ACTIVITIES		
Dividends paid	(2,164,874)	(1,926,169)
Advance from an associate	11,571,453	9,579,187
Repayment to an associate	(11,029,733)	(9,154,341)
Share issue expenses paid	(383,315)	(208,964)
Interest paid	(62,890)	(30,591)
NET CASH USED IN FINANCING ACTIVITIES	(2,069,359)	(1,740,878)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,298,959)	(756,826,145)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	64,035,423	820,861,568
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29,736,464	64,035,423

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 30th June, 2018

	2018 HK\$	2017 HK\$
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits	1,140,988,728	818,387,113
Bank balances and cash	25,736,464	60,035,423
Time deposits, bank balances and cash in the consolidated statement of financial position	1,166,725,192	878,422,536
Less: Time deposits with original maturity more than three months	(1,136,988,728)	(814,387,113)
Cash and cash equivalents in the consolidated statement of cash flows	29,736,464	64,035,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June, 2018

1. GENERAL

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

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as “Group”) are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 28.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 “*Disclosure Initiative*”

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 33. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 33, the application of these amendments has had no impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

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

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1st January, 2018

² Effective for annual periods beginning on or after 1st January, 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1st January, 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

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

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are related to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 30th June, 2018, the Directors of the Company anticipates the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 17. These securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value gains or losses accumulated in the investments revaluation reserve amounting to HK\$285,688,521 as at 1st July, 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group’s profit or loss and other comprehensive income but will not affect total comprehensive income.
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

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

HKFRS 9 “Financial Instruments” *(Continued)*

Impairment:

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1st July, 2018 would not be significantly different to the accumulated amount recognised under HKAS 39.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

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

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30th June, 2018, the Group as lessee has non-cancellable operating lease commitments of HK\$358,721 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are provided 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, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

Goodwill

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

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

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

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

Revenue recognition

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

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

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

Hotel inventories

Hotel inventories are stated in the consolidated statement of financial position at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

Retirement benefit costs

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

Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred taxation liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred taxation liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxation are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred taxation are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Available-for-sale financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

Financial liabilities and equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial liabilities

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of asset within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

4. KEY SOURCE OF ESTIMATION UNCERTAINTY (Continued)

Impairment assessments on hotel properties

The Group's and its associates' hotel properties ("hotel properties") are stated at cost less depreciation and less impairment, if any, in the respective financial statements. At the end of the reporting period, the Group reviews the carrying amounts of the hotel properties to determine whether those assets have suffered an impairment loss. If such indicator exists, the management relies on the valuation reports prepared by an independent professional valuer (the "Valuer") by income capitalization approach to determine the recoverable amount of the hotel properties.

The directors of the Company have exercised judgments and are satisfied that the assumptions used and significant inputs including market capitalization rates and estimated revenue per available room used in the valuation of the hotel properties are reflective of the current market conditions. Any changes to these assumptions and significant inputs may result in changes of the recoverable amount of the hotel properties and cause a material adjustment to the carrying amount of hotel properties within the next financial year.

As at 30th June, 2018, no impairment of the hotel properties (*note 15*) was recognised in the consolidated financial statements (*2017: nil*).

5. REVENUE

	2018 HK\$	2017 HK\$
Hotel operation	277,299,815	266,594,833
Club operation and hotel management	19,350,835	18,655,342
Dividend income from available-for-sale financial assets	17,018,376	15,651,830
	313,669,026	300,902,005

6. SEGMENT INFORMATIONS

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

The Group's reportable and operating segments under HKFRS 8 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. SEGMENT INFORMATIONS (Continued)

Segment revenue and results

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

	Segment revenue		Segment results	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Hotel operation				
– City Garden Hotel	277,299,815	266,594,833	103,499,271	102,580,996
Investment holding	17,018,376	15,651,830	16,008,190	15,634,136
Hotel operation – share of results of associates	–	–	259,379,044	231,116,252
Others – club operation and hotel management	19,350,835	18,655,342	3,731,919	2,474,381
	313,669,026	300,902,005		
Total segment results			382,618,424	351,805,765
Other losses, gains and income			(2,727,977)	3,744,059
Administrative and other expenses			(60,602,939)	(54,681,047)
Finance income, net			16,793,682	11,076,546
Share of results of associates				
– administrative and other expenses			(101,975,595)	(99,717,487)
– finance income			697,769	486,305
– income tax expense			(26,548,461)	(22,224,365)
			(127,826,287)	(121,455,547)
Profit before taxation			208,254,903	190,489,776

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for both years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. SEGMENT INFORMATIONS (Continued)

Segment assets and liabilities

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Segment assets		
Hotel operation – City Garden Hotel	1,289,965,028	1,336,680,887
Investment holding	922,467,186	1,181,710,728
Hotel operation – interests in associates	1,183,946,846	1,211,437,589
Others – club operation and hotel management	1,782,077	1,379,848
	<hr/>	<hr/>
Total segment assets	3,398,161,137	3,731,209,052
Amounts due from associates	116,071,771	108,932,135
Unallocated assets	1,174,610,326	883,625,457
	<hr/>	<hr/>
Consolidated assets	4,688,843,234	4,723,766,644
	<hr/>	<hr/>
Segment liabilities		
Hotel operation – City Garden Hotel	25,901,229	22,717,048
Investment holding	12,000	12,000
Others – club operation and hotel management	2,899,010	1,804,471
	<hr/>	<hr/>
Total segment liabilities	28,812,239	24,533,519
Amount due to an associate	2,065,765	1,524,045
Unallocated liabilities	21,240,136	20,576,419
	<hr/>	<hr/>
Consolidated liabilities	52,118,140	46,633,983
	<hr/>	<hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. SEGMENT INFORMATIONS (Continued)

Other segment information

	Addition to non-current assets (Note)	
	2018 HK\$	2017 HK\$
Amounts included in the measure of segment assets:		
Hotel operation – City Garden Hotel	5,276,780	9,102,542
Others – club operation and hotel management	9,600	56,932
	<u>5,286,380</u>	<u>9,159,474</u>

	Depreciation and amortisation of property, plant and equipment		Write off/(gain on disposal) of property, plant and equipment	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss:				
Hotel operation – City Garden Hotel	51,804,366	45,385,196	(122)	75
Others – club operation and hotel management	41,684	46,836	–	–
	<u>51,846,050</u>	<u>45,432,032</u>	<u>(122)</u>	<u>75</u>

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

Geographical information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

7. FINANCE INCOME

The amount represents interest income on time deposits and bank balances.

8. FINANCE COSTS

The amount represents interest on other unsecured loans wholly repayable within five years.

9. PROFIT BEFORE TAXATION

	2018 HK\$	2017 HK\$
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 11)	938,680	1,066,000
Other staff costs	106,569,164	98,773,581
Contributions to retirement benefit scheme (other than directors) (note 31)	4,241,499	4,103,941
	<u>111,749,343</u>	<u>103,943,522</u>
Total staff costs		
Auditor's remuneration		
– audit services		
– current year provision	571,500	777,500
– under provision of previous years	–	–
– non-audit services	321,000	467,000
	<u>892,500</u>	<u>1,244,500</u>
Cost of hotel inventories consumed (included in direct expenses)	28,016,059	27,379,534
Depreciation and amortisation of property, plant and equipment (included in other expenses)	51,846,050	45,432,032
Repairs and maintenance in respect of hotel properties (included in other expenses)	6,296,248	5,419,488
Share of income tax expenses of associates (included in share of results of associates)	26,548,461	22,224,365
Loss on disposal of available-for-sale financial assets	1,001,498	–
Write off/(gain on disposal) of property, plant and equipment	122	(75)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

10. INCOME TAX EXPENSE

	2018 HK\$	2017 HK\$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% (2017: 16.5%) on the estimated assessable profit		
Current year	14,525,231	13,957,794
Overprovision in prior year	(77,615)	(24,987)
	14,447,616	13,932,807
Deferred taxation (note 24)		
Current year	(1,320,229)	(1,355,646)
	13,127,387	12,577,161

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

	2018 HK\$	2017 HK\$
Profit before taxation	208,254,903	190,489,776
Tax charge at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	34,362,059	31,430,813
Tax effect of results attributable to associates	(21,706,205)	(18,094,016)
Tax effect of expenses not deductible for tax purpose	6,116,400	4,239,744
Tax effect of income not taxable for tax purpose	(5,599,571)	(5,040,310)
Tax effect of tax losses not recognised	32,319	65,917
Overprovision in prior year	(77,615)	(24,987)
Income tax expense for the year	13,127,387	12,577,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

11. DIRECTORS' AND CHAIRMAN'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2017: nine) Directors of the Company, which include the Chairman, were disclosed pursuant to section 383(1)-(4) of the Hong Kong Companies Ordinance and Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation. Emoluments of the Directors of the Company in respect of their qualifying services including:

	2018					2017				
	Fee	Other emoluments			Total	Fee	Other emoluments			Total
		Salaries and other benefits	Contributions to retirement benefit scheme	Discretionary bonus (Note i)			Salaries and other benefits	Contributions to retirement benefit scheme	Discretionary bonus (Note i)	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Executive Directors:										
Mr. Robert Ng Chee Siang (Notes ii and iii)	36,000	-	-	-	36,000	36,000	-	-	-	36,000
Mr. Daryl Ng Win Kong	36,000	-	-	-	36,000	36,000	-	-	-	36,000
Mr. Giovanni Viterale	18,000	-	-	-	18,000	18,000	-	-	-	18,000
	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
Non-Executive Directors:										
The Honourable Ronald Joseph Arculli (Note iv)	100,000	-	-	-	100,000	100,000	-	-	-	100,000
Mr. Gilbert Lui Wing Kwong	184,000	-	-	-	184,000	184,000	-	-	-	184,000
	<u>284,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,000</u>	<u>284,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,000</u>
Independent Non-Executive Directors:										
Mr. Peter Wong Man Kong	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Mr. Adrian David Li Man-kiu (Note v)	66,680	-	-	-	66,680	200,000	-	-	-	200,000
Mr. Steven Ong Kay Eng (Note vi)	198,000	-	-	-	198,000	192,000	-	-	-	192,000
Mr. Wong Cho Bau	100,000	-	-	-	100,000	100,000	-	-	-	100,000
	<u>564,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>564,680</u>	<u>692,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>692,000</u>
	<u>938,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>938,680</u>	<u>1,066,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,066,000</u>

No Directors waived any emoluments for the year ended 30th June, 2018 (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

11. DIRECTORS' AND CHAIRMAN'S EMOLUMENTS (Continued)

Notes:

- (i) Discretionary bonus is determined primarily based on the performance of each Director and the profitability of the Group.
- (ii) Mr. Robert Ng Chee Siong is also the Chairman of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman. Mr. Ng is also a substantial shareholder of the Company through his trustee interest in shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong.
- (iii) Mr. Robert Ng Chee Siong retired by rotation and was re-appointed as an Executive Director of the Company on 26th October, 2017.
- (iv) During the year, a consultancy fee of HK\$416,666 (2017: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli is the sole proprietor.
- (v) Mr. Adrian David Li Man-kiu retired as an Independent Non-Executive Director of the Company on 26th October, 2017.
- (vi) Mr. Steven Ong Kay Eng retired by rotation and was re-appointed as an Independent Non-Executive Director of the Company on 26th October, 2017.
- (vii) The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The Non-Executive Directors' and Independent Non-Executive Directors' emoluments shown above were for their services as Directors of the Company.

12. EMPLOYEES' EMOLUMENTS

None of the five highest paid individuals of the Group is a Director of the Company for the current and prior year. The emoluments of the five highest paid individuals who are employees of the Group, are as follows:

	2018 HK\$	2017 HK\$
Salaries and other emoluments	4,386,816	4,320,487
Contributions to retirement benefit scheme	108,000	102,000
Discretionary bonus (Note)	801,285	656,388
	5,296,101	5,078,875

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

12. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments were within the following bands:

	Number of individuals	
	2018	2017
Not exceeding HK\$1,000,000	2	3
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	1	–
	5	5

None of the five (2017: five) highest paid individuals waived any emoluments in both years.

During the year, no emoluments were paid by the Group to the five (2017: five) highest paid individuals and Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no Director waived or agreed to waive any emoluments for both years.

13. DIVIDENDS

	2018 HK\$	2017 HK\$
Final dividend for the year ended 30th June, 2017 of HK4.5 cents (2017: final dividend for 2016 of HK4 cents) per share	47,687,933	41,176,254
Interim dividend for the year ended 30th June, 2018 of HK4.5 cents (2017: interim dividend for 2017 of HK4 cents) per share	48,372,305	41,806,925
	96,060,238	82,983,179

A final dividend of HK5 cents for the year ended 30th June, 2018 (2017: a final dividend of HK4.5 cents for the year ended 30th June, 2017) per share amounting to HK\$54,459,026 (2017: HK\$47,687,933) in total has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

13. DIVIDENDS (Continued)

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Final dividend for the year ended 30th June, 2017/2016		
– Cash	1,013,745	971,029
– Scrip	46,674,188	40,205,225
	<hr/> 47,687,933	<hr/> 41,176,254
Interim dividend for the year ended 30th June, 2018/2017		
– Cash	1,151,129	955,140
– Scrip	47,221,176	40,851,785
	<hr/> 48,372,305	<hr/> 41,806,925
	<hr/> 96,060,238	<hr/> 82,983,179

14. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the year attributable to the Company's shareholders of HK\$195,127,516 (2017: HK\$177,912,615) and on the weighted average number of 1,071,048,832 (2017: 1,041,412,729) shares in issue during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$	Hotel buildings HK\$	Furniture, fixtures, leasehold improvement and hotel operating equipment HK\$	Total HK\$
COST				
At 1st July, 2016	1,546,000,000	353,767,921	180,397,764	2,080,165,685
Additions	–	–	9,159,474	9,159,474
Disposals	–	–	(1,420)	(1,420)
	<u>1,546,000,000</u>	<u>353,767,921</u>	<u>189,555,818</u>	<u>2,089,323,739</u>
At 30th June, 2017	1,546,000,000	353,767,921	189,555,818	2,089,323,739
Additions	–	–	5,286,380	5,286,380
Written off	–	–	(58,530)	(58,530)
	<u>1,546,000,000</u>	<u>353,767,921</u>	<u>194,783,668</u>	<u>2,094,551,589</u>
At 30th June, 2018	<u>1,546,000,000</u>	<u>353,767,921</u>	<u>194,783,668</u>	<u>2,094,551,589</u>
DEPRECIATION AND AMORTISATION				
At 1st July, 2016	477,686,227	109,305,481	130,608,074	717,599,782
Provided for the year	22,217,964	5,084,141	18,129,927	45,432,032
Eliminated on disposals	–	–	(1,420)	(1,420)
	<u>499,904,191</u>	<u>114,389,622</u>	<u>148,736,581</u>	<u>763,030,394</u>
At 30th June, 2017	499,904,191	114,389,622	148,736,581	763,030,394
Provided for the year	22,217,964	11,721,096	17,906,990	51,846,050
Written off	–	–	(58,408)	(58,408)
	<u>522,122,155</u>	<u>126,110,718</u>	<u>166,585,163</u>	<u>814,818,036</u>
At 30th June, 2018	<u>522,122,155</u>	<u>126,110,718</u>	<u>166,585,163</u>	<u>814,818,036</u>
CARRYING AMOUNTS				
At 30th June, 2018	<u>1,023,877,845</u>	<u>227,657,203</u>	<u>28,198,505</u>	<u>1,279,733,553</u>
At 30th June, 2017	1,046,095,809	239,378,299	40,819,237	1,326,293,345

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

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

The leasehold land and hotel buildings are situated in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

16. INTERESTS IN ASSOCIATES

	2018 HK\$	2017 HK\$
Cost of unlisted investments in associates	1,062,961,909	1,062,961,909
Deemed capital contribution to an associate	1,822,475	1,822,475
Share of post-acquisition profits, net of dividends received	119,162,462	146,653,205
	1,183,946,846	1,211,437,589

Details of the associates at 30th June, 2018 and 30th June, 2017 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital held by the Company		Principal activities
				2018	2017	
<i>Indirect:</i>						
Asian Glory Limited	Incorporated	British Virgin Islands	Ordinary	25%	25%	Investment holding
Bestown Property Limited (Note (b))	Incorporated	Hong Kong	Ordinary	25%	25%	Hotel owner and operation of The Royal Pacific Hotel & Towers
FHR International Limited (Note (c))	Incorporated	Hong Kong	Ordinary	33.33%	33.33%	Inactive
Greenroll Limited	Incorporated	Hong Kong	Ordinary	50%	50%	Hotel owner and operation of Conrad Hong Kong

Notes:

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

Included in the cost of unlisted investments in associates is goodwill of HK\$186,513,404 (2017: 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, 2018

16. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Bestown Property Limited

	2018 HK\$	2017 HK\$
Current assets	<u>68,960,747</u>	<u>50,077,222</u>
Non-current assets	<u>1,646,429,164</u>	<u>1,689,515,239</u>
Current liabilities	<u>(713,293,721)</u>	<u>(841,293,328)</u>
Non-current liabilities	<u>(12,992,279)</u>	<u>(15,332,077)</u>

	2018 HK\$	2017 HK\$
Revenue	<u>413,822,546</u>	<u>391,532,473</u>
Profit and total comprehensive income for the year	<u>106,136,855</u>	<u>97,854,186</u>
Dividends received from the associate during the year	<u>–</u>	<u>–</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Bestown Property Limited recognised in the consolidated financial statements:

	2018 HK\$	2017 HK\$
Net assets of Bestown Property Limited	<u>989,103,911</u>	<u>882,967,056</u>
Proportion of the Group's ownership interest in Bestown Property Limited	<u>25%</u>	<u>25%</u>
Carrying amount of the Group's interest in Bestown Property Limited	<u>247,275,978</u>	<u>220,741,764</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

16. INTERESTS IN ASSOCIATES (Continued)

Greenroll Limited		
	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Current assets	391,884,000	452,205,000
Non-current assets	438,679,000	457,560,000
Current liabilities	(149,115,000)	(147,080,000)
Non-current liabilities	(26,810,000)	(26,810,000)
	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Revenue	833,810,000	759,999,000
Profit and total comprehensive income for the year	236,850,000	196,838,000
Dividends received from the associate during the year	159,043,500	159,043,500
Reconciliation of the above summarised financial information to the carrying amount of the interest in Greenroll Limited recognised in the consolidated financial statements:		
	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Net assets of Greenroll Limited	654,638,000	735,875,000
Proportion of the Group's ownership interest in Greenroll Limited	50%	50%
Net assets of Greenroll Limited attributable to the Group	327,319,000	367,937,500
Consolidation adjustments at Group level	608,641,977	622,041,397
Carrying amount of the Group's interest in Greenroll Limited	935,960,977	989,978,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

16. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2018 HK\$	2017 HK\$
The Group's share of loss and total comprehensive expense for the year	(7,037)	(36,491)
Dividends received from associates during the year	–	–
Aggregate carrying amount of the Group's interests in these associates	709,891	716,928

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK\$	2017 HK\$
Non-current assets:		
Equity securities listed in Hong Kong, at fair value	922,383,941	1,181,655,645
Market value of listed securities	922,383,941	1,181,655,645

The Group's available-for-sale financial assets mainly include investment in 5.09% (2017: 5.08%) of equity securities of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited which is principally engaged in the ownership and management of hotel, retail, commercial and residential properties in Asia and the United States of America, and held by the Group for strategic investment purpose.

During the year ended 30th June, 2018, scrip dividend with fair value of HK\$16,138,424 (2017: HK\$14,198,725) was received by the Group and such amount was included in available-for-sale financial assets.

18. AMOUNTS DUE FROM ASSOCIATES

Amounts due from associates are unsecured, interest-free and repayable on demand.

19. TIME DEPOSITS, BANK BALANCES AND CASH

Bank balances and time deposits carry interest rate at market rates ranging from 0.01% to 3.0% (2017: with interest rate at market rates ranging from 0.01% to 2.44%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

20. TRADE AND OTHER RECEIVABLES

At 30th June, 2018, included in trade and other receivables of the Group are trade receivables of HK\$6,222,594 (2017: HK\$6,704,582). The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The general credit term is from 30 days to 45 days.

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

	2018 HK\$	2017 <i>HK\$</i>
Trade receivables		
0 – 30 days	5,647,760	5,792,209
31 – 60 days	451,006	381,568
61 – 90 days	17,417	235,912
> 90 days	106,411	294,893
	<hr/>	<hr/>
	6,222,594	6,704,582
Other receivables	13,222,855	9,856,245
	<hr/>	<hr/>
	19,445,449	16,560,827
	<hr/>	<hr/>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributable to customers are reviewed periodically. 96.4% (2017: 93.5%) of the trade receivables that are neither past due nor impaired have good settlement repayment history. The Group has assessed the creditworthiness and historical default rates of these customers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

20. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade receivables are debtors with a carrying amount of HK\$221,136 at 30th June, 2018 (2017: HK\$437,714) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired relate to a number of independent customers with subsequent settlement. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2018 HK\$	2017 HK\$
Overdue within 30 days	58,871	410,064
Overdue within 60 days	55,854	27,650
Overdue within 90 days	106,411	–
	<u>221,136</u>	<u>437,714</u>

21. TRADE AND OTHER PAYABLES

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

	2018 HK\$	2017 HK\$
Trade payables		
0 – 30 days	6,433,602	5,049,784
31 – 60 days	3,542,405	3,411,705
	<u>9,976,007</u>	8,461,489
Other payables	20,396,360	17,962,575
	<u>30,372,367</u>	<u>26,424,064</u>

The average credit period on purchases of goods is 45 days. The Group has financial risk management policies in place to ensure that all payables are repaid within the credit timeframe. The other payables comprise mainly accruals for audit fee, directors' fees, staff salaries and bonuses of approximately HK\$9,739,000 (2017: HK\$9,807,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

22. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	2018	2017	2018 HK\$	2017 HK\$
Authorised:				
At the beginning and the end of the year	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Issued and fully paid:				
At the beginning of the year	1,059,731,842	1,029,406,361	1,059,731,842	1,029,406,361
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2017/2016	15,208,277	15,766,755	15,208,277	15,766,755
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2018/2017	14,240,407	14,558,726	14,240,407	14,558,726
At the end of the year	1,089,180,526	1,059,731,842	1,089,180,526	1,059,731,842

On 6th December, 2017 and 23rd April, 2018, pursuant to scrip dividend schemes, the Company issued and allotted 15,208,277 shares and 14,240,407 shares of HK\$1.00 each at an issue price of HK\$3.069 and HK\$3.316 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2017 final and 2018 interim dividends in respect of each of year ended 30th June, 2017 and 2018, respectively. These shares rank pari passu in all respects with the then existing shares.

On 8th December, 2016 and 13th April, 2017, pursuant to scrip dividend schemes, the Company issued and allotted 15,766,755 shares and 14,558,726 shares of HK\$1.00 each at an issue price of HK\$2.550 and HK\$2.806 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2016 final and 2017 interim dividends in respect of each of year ended 30th June, 2016 and 2017, respectively. These shares rank pari passu in all respects with the then existing shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

23. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand.

24. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$
At 1st July, 2016	6,098,223
Credited to profit or loss during the year (note 10)	<u>(1,355,646)</u>
At 30th June, 2017	4,742,577
Credited to profit or loss during the year (note 10)	<u>(1,320,229)</u>
At 30th June, 2018	<u>3,422,348</u>

At 30th June, 2018, the Group had unused tax losses of approximately HK\$14,161,000 (2017: HK\$13,965,000) available for offset against future profits. No deferred taxation 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.

25. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Rental income earned during the year was HK\$1,011,600 (2017: HK\$1,021,686), net of negligible outgoings.

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

	2018 HK\$	2017 HK\$
Within one year	746,200	631,600
In the second to fifth year inclusive	<u>1,155,200</u>	<u>16,600</u>
	<u>1,901,400</u>	<u>648,200</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

25. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessee

Minimum lease payments paid under operating leases during the year was HK\$300,774 (2017: HK\$282,864).

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

	2018 HK\$	2017 HK\$
Within one year	303,408	300,774
In the second to fifth year inclusive	55,313	358,721
	<u>358,721</u>	<u>659,495</u>

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

26. COMMITMENTS

	2018 HK\$	2017 HK\$
Expenditures contracted for but not provided in the consolidated financial statements in respect of:		
Renovation works, purchase of furniture, fixtures and hotel operating equipment	<u>42,801,121</u>	<u>1,837,519</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

27. RELATED PARTY DISCLOSURES

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

	Notes	2018 HK\$	2017 HK\$
Clubhouse management service income from a related company, being the building management company and agent for the unincorporated body of owners of Pacific Palisades	(i)	4,785,000	3,960,000
Hotel management fee income from an associate	(ii) & (iii)	980,000	980,000
Hotel management fee income from a related company	(ii) & (iii)	950,000	950,000

(b) At the end of the reporting period, the Group had outstanding balances with related parties relating to advances provided on a several and proportional basis. Details of the amounts due from (to) associates are set out in notes 18 and 23. In addition, included in trade and other payables (note 21) is an interest-bearing balance, carried interest at 2.13% per annum (2017: 1.68% per annum), amounting to HK\$3,719,728 (2017: HK\$2,344,244), which represents balance with a related company, in which Mr. Philip Ng Chee Tat, a brother of Mr. Robert Ng Chee Siong, the controlling shareholder of the Company, has a controlling interest (Note (iii)).

(c) The remuneration of Directors, being key management during the year was as follows:

	2018 HK\$	2017 HK\$
Short-term benefits	938,680	1,066,000
Retirement benefit scheme contributions	—	—
	938,680	1,066,000

The remuneration of Directors, being 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 (2017: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, a Non-Executive Director of the Company, is the sole proprietor (Note (iii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

27. RELATED PARTY DISCLOSURES (Continued)

Notes:

- (i) The related company is a wholly-owned subsidiary of Sino Land Company Limited, of which, Mr. Robert Ng Chee Siong, the controlling shareholder of the Company, has a controlling interest. The controlling shareholder of the Company is interested in approximately 60% of the undivided shares of Pacific Palisades. These related party transactions also constitute continuing connected transactions and have complied with Chapter 14A of the Listing Rules, details of which are disclosed on pages 74 to 76 of the Directors' Report.
- (ii) Mr. Robert Ng Chee Siong was interested in these transactions as he has a controlling interest in the associate/related company.
- (iii) These related parties transactions also constitute exempted connected transactions under Chapter 14A of the Listing Rules.

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2018 and 30th June, 2017 which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
<i>Direct subsidiary (Continued)</i>				
Golden Profits Limited	Hong Kong	Ordinary HK\$2	100%	Cafe operation
Halliwell Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding
Island Pacific Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Ocean Chief Limited	British Virgin Islands	Ordinary US\$1	100%	Share investment
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
<i>Indirect subsidiary</i>				
Bosco Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Bright Tower (HK) Limited	Hong Kong	Ordinary HK\$2	100%	Club and cafe 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
<i>Indirect subsidiary (Continued)</i>				
Park Lane Towers Limited	Hong Kong	Ordinary HK\$2	100%	Catering service
R.P. Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Sino Hospitality Management Company Limited	Hong Kong	Ordinary HK\$1	100%	Hotel management
Speed Advance Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Share investment
Victory Link Development Limited	Hong Kong	Ordinary HK\$1	100%	Share investment
Wellrich International Ltd.	British Virgin Islands/ Hong Kong	Ordinary 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.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

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

There are no changes on the Group's approach to capital risk management during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK\$	2017 HK\$
<i>Financial assets</i>		
Available-for-sale financial assets	922,383,941	1,181,655,645
Loans and receivables (including cash and cash equivalents)	1,298,083,862	999,588,281
<i>Financial liabilities</i>		
Amortised cost	15,880,314	11,679,047

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale financial assets, amounts due from associates, time deposits, bank balances and cash, trade and other payables 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 time deposits at the date of financial position had foreign currency exposures. The time deposits mainly dominated in United States Dollar, Great British Pound and Australian Dollars.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2018 HK\$	2017 HK\$
Australian Dollars	91,824,892	93,499,523
Great British Pound	25,523,982	24,950,439
United States Dollars ("US\$")	186,057,287	181,166,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong Dollars ("HK\$") against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where HK\$ weaken 5% against the relevant currencies. For a 5% strengthening of HK\$ against the relevant currencies, there would be an equal and opposite impact on the pre-tax profit, and the balances below would be negative.

	Pre-tax profit or loss	
	2018 HK\$	2017 HK\$
Australian Dollars	4,591,245	4,674,976
Great British Pound	1,276,199	1,247,522

The Directors of the Company consider that the Company is exposed to minimal currency risk as HK\$ are pegged with the US\$. Sensitivity on foreign currency risk is therefore not presented. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Bank balances at floating rates expose the Group to cash flow interest rate risk. Other payable at fixed rate exposes the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk was mainly concentrated on the fluctuation of market rate arising from the bank balances. Bank balances are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the result of the Group.

Interest rate sensitivity analysis

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Price risk

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

Price risk sensitivity analysis

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

	2018 HK\$	2017 HK\$
Available-for-sale financial assets		
Increase (decrease) in other comprehensive income		
– as a result of increase in equity price	46,119,197	59,082,782
– as a result of decrease in equity price	(46,119,197)	(59,082,782)

Credit risk

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

Also, the Group is subject to concentration of credit risks as over 8.9% (2017: 10.8%) of the Group's receivables are receivables from a number of associates with good credit quality. In order to minimise the credit risk and the concentration of credit risk, the Group reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Other than the above concentration of credit risk on amounts due from associates, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the associates which are mainly engaged in hotel operation in Hong Kong and it is profitable. Trade receivables consist of a large number of customers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

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

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$	3 months to 1 year HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2018					
Trade and other payables	N/A	8,786,321	1,308,500	10,094,821	10,094,821
Trade and other payables (note 27b)	2.13	3,739,667	–	3,739,667	3,719,728
Amount due to an associate	N/A	2,065,765	–	2,065,765	2,065,765
		14,591,753	1,308,500	15,900,253	15,880,314
	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$	3 months to 1 year HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2017					
Trade and other payables	N/A	6,527,210	1,283,548	7,810,758	7,810,758
Trade and other payables (note 27b)	1.68	2,354,174	–	2,354,174	2,344,244
Amount due to an associate	N/A	1,524,045	–	1,524,045	1,524,045
		10,405,429	1,283,548	11,688,977	11,679,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

30. FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30.6.2018 HK\$	30.6.2017 HK\$		
Available-for-sale financial assets	922,383,941	1,181,655,645	Level 1	Quoted price from direct market comparable

There were no transfers between Level 1, 2 and 3 in the current and prior periods.

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

31. RETIREMENT BENEFIT SCHEME

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

The total expenses recognised in profit or loss of HK\$4,241,499 (2017: HK\$4,103,941) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

32. FINANCIAL INFORMATION OF THE COMPANY

	2018 HK\$	2017 HK\$
Non-current assets		
Interests in subsidiaries	1,680,943,211	1,923,410,125
Investments in associates	1,219,475	1,219,475
	<u>1,682,162,686</u>	<u>1,924,629,600</u>
Current assets		
Other receivables and prepayments	270,850	248,834
Amounts due from subsidiaries	1,384,968,355	1,149,273,321
Amounts due from associates	115,412,886	108,283,829
Bank balances and cash	179,495	153,741
	<u>1,500,831,586</u>	<u>1,257,959,725</u>
Current liabilities		
Amount due to subsidiaries	4,642,851	3,529,462
Other payables and accruals	1,776,981	2,083,532
	<u>6,419,832</u>	<u>5,612,994</u>
Net current assets	<u>1,494,411,754</u>	<u>1,252,346,731</u>
Total assets less current liabilities	<u>3,176,574,440</u>	<u>3,176,976,331</u>
Capital and reserves		
Share capital	1,089,180,526	1,059,731,842
Reserves (Note a)	2,087,393,914	2,117,244,489
	<u>3,176,574,440</u>	<u>3,176,976,331</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

32. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Note:

(a) Reserves of the Company

	Share premium HK\$ (Note)	Distributable reserve HK\$ (Note)	Retained profits HK\$	Total HK\$
At 1st July, 2016	449,852,677	1,193,918,917	503,637,929	2,147,409,523
Profit for the year	–	–	2,295,580	2,295,580
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2016	24,438,470	–	–	24,438,470
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2017	26,293,059	–	–	26,293,059
Share issue expenses	(208,964)	–	–	(208,964)
Dividends	–	(82,983,179)	–	(82,983,179)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2017	500,375,242	1,110,935,738	505,933,509	2,117,244,489
Profit for the year	–	–	2,146,298	2,146,298
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2017	31,465,911	–	–	31,465,911
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2018	32,980,769	–	–	32,980,769
Share issue expenses	(383,315)	–	–	(383,315)
Dividends	–	(96,060,238)	–	(96,060,238)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2018	564,438,607	1,014,875,500	508,079,807	2,087,393,914

Note: Under the Companies Law (2018 Revision) of the Cayman Islands and the provisions of the Company's Articles of Association, the share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The distributable reserve of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company, which was transferred from the share premium account pursuant to a group reorganisation in 1995. Under the Companies Law (2018 Revision) of the Cayman Islands, the distributable reserve is available for distribution to shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other borrowings <i>HK\$</i>	Amount due to an associate <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2017	–	1,524,045	1,524,045
Financing cash flows	(62,890)	541,720	478,830
Finance cost	62,890	–	62,890
At 30th June, 2018	–	2,065,765	2,065,765

FINANCIAL SUMMARY

	Year ended 30th June,				
	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$
Results					
Revenue	313,669,026	300,902,005	293,629,539	317,383,507	328,911,440
Direct expenses	(116,832,801)	(110,611,679)	(111,656,465)	(108,647,440)	(102,216,116)
Gross profit	196,836,225	190,290,326	181,973,074	208,736,067	226,695,324
Other losses, gains and income	(3,729,475)	3,744,059	–	754,691	–
Other expenses	(92,956,078)	(86,565,292)	(85,977,543)	(85,418,037)	(82,821,559)
Marketing costs	(10,790,527)	(9,018,886)	(9,692,012)	(11,058,226)	(11,872,076)
Administrative expenses	(29,451,681)	(28,697,682)	(34,451,408)	(30,047,342)	(27,243,040)
Finance income, net	16,793,682	11,076,546	7,929,713	6,784,859	3,539,478
Share of results of associates	131,552,757	109,660,705	117,528,416	130,229,202	146,246,806
Profit before taxation	208,254,903	190,489,776	177,310,240	219,981,214	254,544,933
Income tax expense	(13,127,387)	(12,577,161)	(11,763,337)	(16,016,491)	(20,030,192)
Profit for the year	195,127,516	177,912,615	165,546,903	203,964,723	234,514,741
At 30th June,					
	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$
Assets and liabilities					
Total assets	4,688,843,234	4,723,766,644	4,060,168,610	4,065,925,998	3,885,205,180
Total liabilities	(52,118,140)	(46,633,983)	(47,238,885)	(43,299,596)	(51,100,354)
Shareholders' equity	4,636,725,094	4,677,132,661	4,012,929,725	4,022,626,402	3,834,104,826

Sino Hotels (Holdings) Limited

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

I/We ^(Note 1) _____
of _____
being the registered holder(s) of ^(Note 2) _____
ordinary shares of HK\$1.00 each in the capital of the above-named Company, **HEREBY APPOINT** the Chairman of the Meeting
or ^(Note 3) _____
of _____
as my/our proxy to act for me/us at the Annual General Meeting (or at any adjournment thereof) of the Company to be held at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon on Thursday, the 25th day of October, 2018 at 10:30 a.m. or as soon as the annual general meeting of Tsim Sha Tsui Properties Limited closes, whichever is the later, and at such Meeting (or at any adjournment thereof) and in the event of a poll to vote for me/us and in my/our name(s) as indicated below or if no such indication is given, as my/our proxy thinks fit.

	For ^(Note 4)	Against ^(Note 4)
1. To receive, consider and adopt the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2018.		
2. To declare a final dividend of HK\$0.05 per ordinary share with an option for scrip dividend.		
3. (i) To re-elect The Honourable Ronald Joseph Arculli as Director. (ii) To re-elect Mr. Gilbert Lui Wing Kwong as Director. (iii) To re-elect Mr. Wong Cho Bau as Director. (iv) To authorise the Board to fix the Directors' remuneration for the financial year ending 30th June, 2019.		
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 buy-back mandate (Ordinary Resolution on item 5(i) of the Notice of Annual General Meeting). (ii) To approve share issue mandate (Ordinary Resolution on item 5(ii) of the Notice of Annual General Meeting). (iii) To approve extension of share issue mandate (Ordinary Resolution on item 5(iii) of the Notice of Annual General Meeting).		

Dated _____ Signature ^(Note 5) _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of ordinary shares of HK\$1.00 each registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares of the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, strike out the words "the Chairman of the Meeting or" herein inserted and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK IN THE RELEVANT BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK IN THE RELEVANT BOX MARKED "AGAINST".** Failure to complete the boxes will entitle your proxy to cast his/her vote at his/her discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the Meeting other than those referred to in the Notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
6. In order to be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the principal office of the Company, 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong not less than 24 hours before the time appointed for holding the Meeting or adjourned Meeting (as the case may be).
7. In the case of joint holders, any one of such joint holders may vote at the Meeting, either personally or by proxy, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons whose name stands first on the register of members in respect of the relevant shares shall alone be entitled to vote in respect thereof.
8. Any shareholder entitled to attend and vote at the Meeting may appoint (i) if such shareholder is a person referred to in Article 95(b) of the Amended and Restated Memorandum and Articles of Association of the Company, any number of proxies; and (ii) for all other shareholders, up to two proxies to exercise all or any of his/her rights to attend and vote instead of him/her, provided that the proxy is appointed to represent respectively the number of shares held by the shareholder as specified in the relevant instrument of appointment. The proxy need not be a shareholder of the Company but must attend the Meeting in person to represent you.
9. Completion and deposit of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish.
10. At the Annual General Meeting, the Chairman of the Meeting will put each of the above resolutions to the vote by way of a poll. On a poll, every shareholder who is present in person or by proxy shall have one vote for every share of which he/she is the holder.

PERSONAL INFORMATION COLLECTION STATEMENT

"Personal Data" in this statement has the same meaning as "personal data" defined in the Personal Data (Privacy) Ordinance, Cap 486 ("PDPO"), which will include your and your appointed proxy's name and mailing address.

Your supply of Personal Data is on a voluntary basis for the purpose of processing your request for the appointment of a proxy (or proxies), your voting instructions for the Meeting of the Company and your other instructions (the "Purposes"). However, failure to supply your Personal Data may result in us or our third party service providers unable to process your request for the Purposes. We may transfer your Personal Data to our subsidiaries, Principal Registrars, agent, contractor, third party service provider and/or other bodies who provides administrative, computer and other services to us for use in connection with the Purposes and to such parties who are authorised by law to request the information or are otherwise relevant for the Purposes and need to receive the information. Your Personal Data will be retained for such period as may be necessary to fulfil the Purposes and for our verification and record purposes.

You and your appointed proxy have the right to request access to and/or correction of the respective Personal Data in accordance with the provisions of the PDPO. Any such request for access to and/or correction of the Personal Data should be in writing and sent by mail to the Privacy Compliance Officer of Tricor Friendly Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at sinohotels1221-e.com@hk.tricorglobal.com.



