

ANNUAL REPORT 2022



STOCK CODE: 1221

Royal Pacific Hotel

Creating Better Lifescapes

 SINO HOTELS (HOLDINGS) LIMITED

This annual report (“Annual Report”) is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to the Company’s Principal Registrar, Tricor Friendly Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 Registrar, Tricor Friendly Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email at sinohotels1221-ecom@hk.tricorglobal.com.

Contents

2	Corporate information
3	Chairman's statement
8	Environmental, social and governance report
25	Corporate governance report
43	Risk management report
49	Directors' report
58	Biographical details of Directors & senior management
62	Independent auditor's report
66	Consolidated statement of profit or loss
67	Consolidated statement of profit or loss and other comprehensive income
68	Consolidated statement of financial position
69	Consolidated statement of changes in equity
70	Consolidated statement of cash flows
72	Notes to the consolidated financial statements
132	Financial summary

Corporate information

Board of Directors

Robert Ng Chee Siong, Chairman
Daryl Ng Win Kong, SBS, JP, Deputy Chairman
Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP#
Gilbert Lui Wing Kwong#
Steven Ong Kay Eng*
Wong Cho Bau, JP*
Hung Wai Man, JP*
Thomas Tang Wing Yung, Group Chief Financial Officer

(# Non-Executive Directors)

(* Independent Non-Executive Directors)

Audit Committee

Steven Ong Kay Eng, Chairman
Gilbert Lui Wing Kwong
Hung Wai Man, JP

Nomination Committee

Robert Ng Chee Siong, Chairman
Steven Ong Kay Eng
Hung Wai Man, JP

Remuneration Committee

Steven Ong Kay Eng, Chairman
Hung Wai Man, JP
Daryl Ng Win Kong, SBS, JP

Authorized Representatives

Robert Ng Chee Siong
Thomas Tang Wing Yung

Company Secretary

Fanny Cheng Siu King

Auditor

KPMG

Registered Public Interest Entity Auditors

Solicitors

Clifford Chance, Hong Kong
Maples and Calder, Cayman Islands

Principal Registrar

Tricor Friendly Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong
Telephone : (852) 2980 1333
Fax : (852) 2861 1465
Email : sinohotels1221-ecom@hk.tricorglobal.com

Principal Bankers

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

Investor relations contact

Telephone : (852) 2132 8480
Fax : (852) 2137 5907
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

Listing Information

Stock Code 1221

Shareholders' calendar

Closure of Register of Members for entitlement to attend and vote at Annual General Meeting	21st October, 2022 to 26th October, 2022 (both dates inclusive)
Annual General Meeting	26th October, 2022

I hereby present the 2021/2022 Annual Report to shareholders.

Final results

The Group recorded net loss attributable to shareholders of HK\$92.4 million for year ended 30th June, 2022 ("Financial Year") compared to net loss of HK\$95.3 million for the last financial year. Turnover of the Group for the Financial Year was HK\$128.8 million (2020/2021: HK\$112.3 million). Loss per share for the Financial Year was HK8.09 cents compared to loss per share of HK8.34 cents last year.

Dividend

In view of the net loss of the Group for the Financial Year, the Board has resolved not to recommend a final dividend for the Financial Year. Total dividend for the full financial year is nil as the Board did not declare any interim dividend during the Financial Year (2020/2021: Nil).

Review of operations

As at 30th June, 2022, the Group's portfolio of hotels comprises City Garden Hotel, Conrad Hong Kong and The Royal Pacific Hotel & Towers.

During the Financial Year, the hospitality industry in Hong Kong continued to be heavily impacted by the ongoing pandemic, with social distancing measures and the corresponding cross-border travel restrictions. Statistics released by the Hong Kong Tourism Board show that visitor arrivals to Hong Kong during the Financial Year were 133,653 (2020/2021: 86,544, 2019/2020: 24.5 million), including 103,415 visitors from Mainland China (2020/2021: 49,420, 2019/2020: 18.8 million). The trading condition for hotel remains challenging as visitor arrivals is much reduced as compared to pre-pandemic level.

Prior to the fifth wave of COVID-19 outbreak in Hong Kong in January 2022, the performance of the Group's hotels generally improved due to government's relaxation of social distancing measures, driven by an improvement in food & beverages (F&B) and staycation businesses in Hong Kong. However, tightened social distancing measures were introduced again on 7th January, 2022 as a result of the fifth wave of COVID-19 which adversely affected the hotel performances.

The Group is taking all practicable measures to cope with the challenges. To optimise occupancy and to ensure a stable stream of income amid the pandemic, City Garden Hotel, while remaining under the Group's management, entered into a two-year bulk hiring of hotel rooms and facilities arrangement with a tenant effective 1st August, 2020 (the "Bulk Hiring Arrangement"). Subsequent to the Financial Year end, a new lease agreement has been signed for a period of four years effective 1st August, 2022. As for Royal Pacific Hotel & Towers, the hotel entered into Community Isolation Facilities (CIF) Contract for a period of 3 months, from 14th March, 2022 to 13th June, 2022 and received guaranteed room and F&B revenues from the Hong Kong government. Royal Pacific Hotel & Towers was subsequently converted to a designated quarantine hotel (DQH) following the acceptance of the invitation by the government from 14th April, 2022 to 31st October, 2022 to capture the summer peak season for students and residents returning from overseas. Conrad Hong Kong was also approved by the government to operate as a quarantine hotel under the Designated Quarantine Hotel Scheme from 1st June, 2022 to 31st October, 2022 and has been solely receiving travelers arriving from foreign places for compulsory quarantine. During this difficult time, the Group remained vigilant on cost control and focused on making efficiency improvements as well as improving the quality of hotel services to ensure our discerning guests have enjoyable experiences during their stay in the hotels.

Chairman's statement (Continued)

Review of operations (Continued)

City Garden Hotel

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

Thanks to the Bulk Hiring Arrangement effective 1st August, 2020, the average room occupancy rate of City Garden Hotel for the Financial Year was 100% (2020/2021: 92.8%, 2019/2020: 41.7%) and the average room rate increased 4.5% compared with that of last financial year. Room sales for the Financial Year were HK\$76.2 million (2020/2021: HK\$68.0 million, 2019/2020: HK\$62.0 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). The Group collectively own a total of 80% equity interest in Conrad Hong Kong.

The average room occupancy rate of Conrad Hong Kong for the Financial Year was 26.1% (2020/2021: 19.5%, 2019/2020: 34.8%) and the average room rate decreased 3.4% compared with that of last financial year. Room sales for the Financial Year were HK\$81.0 million (2020/2021: HK\$59.9 million, 2019/2020: HK\$139.8 million).

The Royal Pacific Hotel & Towers

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

The average occupancy rate of The Royal Pacific Hotel & Towers for the Financial Year was 70.9% (2020/2021: 33.5%, 2019/2020: 44.0%) and the average room rate increased 76.0% compared with that of last financial year. Room sales for the Financial Year were HK\$157.7 million (2020/2021: HK\$42.2 million, 2019/2020: HK\$88.1 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, 2021.

Significant investment

As at 30th June, 2022, the Group held 84,828,218 ordinary shares, representing approximately 5.14% equity interest in The Hongkong and Shanghai Hotels, Limited (the "HKSHL Shares"), a company whose shares (stock code: 45) are listed on the main board of the Stock Exchange and is principally engaged in the ownership and management of hotel, retail, commercial and residential properties in Asia, the United States of America and Europe. The total cost of investment in HKSHL Shares was approximately HK\$702,510,000 and its fair value as at 30th June, 2022 was approximately HK\$612,460,000, representing approximately 14.6% of the total assets of the Group as at 30th June, 2022. The Group recorded an unrealised loss on fair value change of the HKSHL Shares of approximately HK\$80,586,000 for the year ended 30th June, 2022. No scrip or cash dividend was received by the Group from such investment for the year ended 30th June, 2022. This significant investment is held for long term.

Finance

As at 30th June, 2022, the Group had cash and bank deposits of HK\$839.0 million and had no debt outstanding. The Group is in net cash position, therefore gearing ratio, calculated on the basis of net debt to equity attributable to the Company's shareholders, is not applicable.

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, 2022, 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, 2021.

Employee programmes

During the Financial Year, the Group has welcomed the first graduation class of colleagues from our "GROW" leadership development programme, where colleagues excelled through specialised workshops that readied them with confidence to step into a supervisory role. GROW Programme alumni can continue their career development journey with the LEAD and FLY Programmes as next steps. We will continue to encourage cross-training, continuous learning, and internal transfers to retain and develop our talent. A comprehensive Putonghua language training programme developed for management and general level colleagues was rolled out to equip our teams with professional conversational skills in Putonghua. Workshops offering key performance management know-hows were conducted to prepare our teams for evaluations and goal setting exercises to encourage continuous upskilling.

In addition to talent development, employee engagement is a top priority to foster a happy and respectful working environment. The "Thankful Week", where a variety of engaging activities and events were organised for top management to show gratitude and recognise colleagues for their hard work, dedication, and continued service in this unprecedented time.

Sustainability

The Group upholds Environmental and Social Governance (ESG) and incorporates sustainability into the operations and management of our hotels. The Group seeks to "Creating Better Lifescapes" with our stakeholders by mitigating climate change, engaging the community, driving social integration and conserving cultural heritage.

Environmental management

The Group recognises the importance of protecting natural resources and improving energy efficiency in daily operations. Key priority areas include enhancing decarbonisation measures, energy saving, waste reduction and biodiversity conservation. The Group seeks to promote sustainable living to stakeholders and the general public.

Climate resilience

The Group is committed to reducing greenhouse gas emissions by 30% by 2030, based on its 2012 baseline. As at 30th June, 2022, a reduction of 36.9 % was achieved, equivalent to planting 185,661 trees. As an ongoing effort, the Group supports the "Energy Saving Charter 2020" and "4T Charter" organised by the Environment Bureau of the HKSAR Government. In this connection, City Garden Hotel has installed 72 solar panels to generate and promote the development of renewable energy in Hong Kong. The Group also encourages electric vehicles ("EVs") by installing an EV charging station at the City Garden Hotel's car parking area.

Promoting circular economy

The Group initiated a group-wide "Plastic Awareness Campaign" in April 2018, and pledged to reduce single-use plastic consumption across all business lines by 50% by 2022 compared to the 2017 baseline. Since 2018, the Group has installed smart filtered water stations and removed plastic bottled water from all guest premises. As at 30th June, 2022, the Royal Pacific Hotel and City Garden Hotel have saved an estimated 1,100,000 plastic bottles. In 2022, the Group has set a new target to eliminate all single-use plastic items by 2035 across its core operations. To raise public awareness and promote a circular economy in the community, the Group's "Upcycled Christmas Tree Campaign" encouraged staff, their friends and families to upcycle different kinds of reusable materials and repurpose them into unique Christmas trees and ornaments. The upcycled Christmas tree was also displayed at the Group's hotel.

Chairman's statement (Continued)

Sustainability (Continued)

Environmental management (Continued)

Urban biodiversity

The Group adopted the Seafood Guide issued by the WWF for procuring sustainable seafood including those certified by the Aquaculture Stewardship Council and the Marine Stewardship Council. The Group aims to serve 60% of the seafood from sustainable sources by 2025, and 100% of sustainable seafood by 2030. As at 30th June, 2022, 50% of the seafood procured is sustainability labelled and certified. The Group also seeks to source 100% cage-free eggs by 2025 to further promote sustainable consumption and production in the supply chain.

Community engagement

To spread warmth across the community, the Group partnered with various community service centres through the long-standing "Hearty Soup Delivery Programme". Homemade soup was prepared by the Group's hotel chefs and delivered to the elderly during the cold winter. Since 2011, around 50,000 bowls of hot soup have been delivered to spread love and care to needy families in the city. For 13 consecutive years, the Royal Pacific Hotel & Towers and City Garden Hotel have been awarded the Caring Company Logo by the Hong Kong Council of Social Service. Such recognition shows the Group's commitment to community support and environmental protection for a better community.

In braving the COVID-19 pandemic together with the community, Royal Pacific Hotel is serving as a Designated Quarantine Hotel recognised by the Hong Kong Government providing over 650 rooms and suites for quarantine stay, serving arrivals from all regions and countries outside of Mainland China and Macao.

Tai O Heritage Hotel

In March 2008, the Ng Family, the major shareholder of the Group, established a non-profit-making organisation named Hong Kong Heritage Conservation Foundation Limited ("HKHCF"). HKHCF revitalised and converted the Old Tai O Police Station, a Grade II historic building, into a boutique hotel. Named Tai O Heritage Hotel ("Hotel"), it is home to nine colonial-style rooms and suites and commenced operation in March 2012. The Hotel, operated by HKHCF as a non-profit-making social enterprise, is part of the HKSAR Government's "Revitalising Historic Buildings Through Partnership Scheme". The Hotel won the "2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation" and was the first UNESCO-awarded hotel in Hong Kong.

2022 holds a special meaning to Tai O Heritage Hotel as it celebrates its 10th anniversary while the historic building that houses the hotel celebrates 120 years of community-building. To commemorate this meaningful milestone, the Hotel launched various programmes celebrating the community and culture, including public art installation, the "120-year Tai O Heritage Snap-It Competition", and a tailored menu and hospitality offerings.

In February 2022, the Hotel joined hands with a Tai O local artist and the Tai O community to present an auspicious public art installation, "See Through Tai O", to extend hearty new year wishes to the community. The art piece comprised a paper-cutting-inspired wooden panel and 120 colourful fishes hand-painted by Tai O students and volunteers, bringing joy and festive cheer to the neighbourhood.

In March 2022, the Hotel stepped up its community support with the launch of "Community Telemedicine Services" in collaboration with the Hong Kong Association for Integration of Chinese-Western Medicine, the Tai O Rural Committee, the YWCA Tai O Community Work Office and the Hong Kong Family Welfare Society. The first phase of the tailored services served 300 residents in Tai O and Lantau. The complimentary services entailed telemedical diagnosis by a panel of qualified Chinese medicine practitioners and customised decoctions for a three-day regimen delivered by the Hotel staff and volunteers.

Industry outlook and prospects

The financial year 2021/2022 continued to be a year full of challenges and changes. Uncertainties surrounding the intermittent waves of COVID-19 resurgence, ongoing geopolitical risks, restrictions on travel, rising inflationary pressure and interest rate hikes combined have brought interruption to the global economy. Nonetheless, after a long period of strict pandemic containment measures, global economic recovery is expected to gradually emerge, thanks to rising vaccination rate, increasing rollout of effective medical treatments, and better protocol to ensure outbreaks can be quickly detected and contained. Looking ahead, though the world is facing challenges, it has also brought new opportunities. The steep learning curve since the onset of COVID-19 leave us in a stronger position to withstand headwinds that could come our way. The Group shall remain flexible and agile, whilst continuously adjusting and adapting ourselves to the situation appropriately and swiftly to maintain our place in the market to seize opportunities.

For Hong Kong, weakened global demand and continued disruptions to cross-border cargo flows weighed heavily on exports, leading to moderate decrease in real GDP in the first and second quarters of 2022. However, there are signs of revival in domestic activities towards the end of the Financial Year aided by the Government's various support measures and as the local epidemic situation generally improved and the social distancing measures were relaxed in tandem. As we step into financial year 2022/2023, the pandemic situation in Hong Kong remains fluid as the uncertainties associated with further resurgence in COVID-19 infections continue to exist. Travel restrictions will likely remain in place for the time being, and trading conditions for hotels are expected to remain challenging. A meaningful recovery will be dependent on the easing of quarantine measures and resumption of international travel.

The Group remains focused on long-term sustainable growth, whilst remaining prepared for short-term cyclical fluctuations. We will continue to operate our business in a pragmatic manner in response to market changes. The Group has a healthy financial position with cash and bank deposits of HK\$839.0 million and no debt outstanding as at 30th June, 2022. Management will continue to prudently manage its resources, so as to well-position itself to meet the present challenges and to grasp business opportunities.

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, 25th August, 2022

Environmental, social and governance report

Sino Hotels (Holdings) Limited (“Company”) is pleased to present this Environmental, Social and Governance (“ESG”) Report (“ESG Report”) which summarises the ESG policies, initiatives and performance of the Company and its subsidiaries (collectively, “Group”) as well as its commitment in achieving environmental, social and governance sustainability for the year ended 30th June, 2022.

Reporting framework and scope

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in Appendix 27 of 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. This ESG Report focuses on the ESG performance and initiatives of City Garden Hotel and The Royal Pacific Hotel & Towers which the Group has ownership and operational control. Further information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report on pages 25 to 42.

The reporting principles of materiality, quantitative, balance and consistency were followed in preparing this ESG Report. In relation to materiality, 10 material topics have been identified based on the results of the stakeholder engagement exercise and materiality assessment. These material topics are used to determine the focus of the ESG Report. In regard to quantitative, information on environmental and social aspects is presented with quantitative information whenever applicable. As for balance, the ESG Report presents an unbiased representation of the Group’s ESG management approach and performance. As for consistency, methodologies and reporting scope adopted for preparation of the ESG Report are consistent with the previous years, unless stated otherwise in the relevant paragraphs.

Approach and strategy to ESG and reporting

Sustainability is integrated into all aspects of the Group’s operations and management of its hotels. The Group continues to embrace corporate social responsibility and sustainability by upholding high level of corporate governance standards, protecting the environment, engaging the community and promoting social integration. With the vision of becoming the preferred choice of guests, investors and employees, the Group endeavours to establish a high reputation in the hospitality and tourism industry and deliver a high standard of services to its guests.

Materiality assessment

The Group invited various groups of key stakeholders to participate in a stakeholder engagement exercise to identify the material sustainability topics for the ESG Report. The exercise was prepared based on analysis of global ESG-related risk reports and insights, alongside a peer review, to benchmark a range of sustainability issues related to the Group’s business. Stakeholders were asked to rank the importance of sustainability issues and provide their views on the Group’s sustainability performance. The Group evaluated the issues identified by stakeholders, refined the material topics and aligned this ESG Report with stakeholders’ expectations.

Material topics reflect the Group’s significant economic, environmental and social impacts as well as those that substantively influence the assessments and decisions of stakeholders. Based on the results of the stakeholder engagement exercise and materiality assessment, the Group has identified 10 material topics, including climate resilience and greenhouse gas (“GHG”) emissions, waste reduction and management, responsible and sustainable consumption, employment and labour practices, health and safety, training and development, labour standards, supply chain management, anti-corruption and community engagement, that form the basis of the ESG Report.

Stakeholder engagement

The Group actively engage with stakeholders to understand their concerns and expectations of the Group’s sustainability strategy. The Group’s key stakeholder groups and the channels to engage them are summarised below:

Stakeholders	Channels to engage
Guests	<ul style="list-style-type: none"> • Customer service hotline • Regular gatherings • Social media • Daily personal contact
Employees	<ul style="list-style-type: none"> • Town hall meetings and mini-town hall meetings • Employee magazine and app (InSino) • New hire orientation • Intranet (SinoNet) • Sinovation programme
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 • Analyst briefings
Non-governmental organisations (“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 processes • Meetings and conferences • Exhibitions • Site visits
Local community	<ul style="list-style-type: none"> • Volunteering opportunities • Charitable events • Regular meetings with green and community partners • Joint activities
Mass media	<ul style="list-style-type: none"> • Press conferences • Press releases

Sustainability governance

The Environmental, Social and Governance Steering Committee (“ESG Steering Committee”) reports to the Board of Directors of the Company (“Board”) on the Group’s sustainability performance and progress on a regular basis. The ESG Steering Committee comprises Executive Directors and key executives from different business units to support the Board in overseeing the approach to sustainability. The ESG Steering Committee is responsible for planning and implementation, to ensure that the Group’s programmes and policies are in line with the overall sustainability strategy and all the material topics, and are implemented across the business lines.

To ensure the sustainability strategy can be implemented effectively, the Group has established sub-committees under the ESG Steering Committee. The sub-committees include representatives from various business units which focus on developing roadmaps and championing initiatives to achieve the goals and targets under the Group’s three pillars — Green Living, Innovative Design and Community Spirit. The sub-committees ensure that sufficient resources are allocated. They assess feedback, concerns or grievances raised through multiple channels and recommend action or new initiatives for the ESG Steering Committee to consider for implementation. The sub-committees play an integral role in evaluating and improving the Company’s management approach to sustainability through annual review and assessment exercises, stakeholder surveys and peer benchmarking. The sub-committees convene regularly to track key performance indicators and identify areas for improvement.

Moreover, the Group formulated a set of policies and guidelines that outlined its approach to various sustainability issues. These ESG policies and guidelines enable the Group to design and deliver products and services while meeting the Group’s sustainability goals. During the reporting year, the Group updated and enhanced these policies and guidelines in response to the feedback from stakeholders.

Environmental, social and governance report (Continued)

Sustainability governance (Continued)

The Audit Committee is designated to evaluate the effectiveness of the Company's risk management and internal control systems, including ESG related risks and report its recommendations to the Board. The Audit Committee monitors the risk management system by reviewing and approving the Enterprise Risk Management ("ERM") Policy and Framework and ERM reports regularly.

An information and data collection template is used for collecting ESG information and data from relevant departments and business units of the Group. The ESG Report is prepared based on the information and data collected. Key performance indicators relating to the Group's environmental and social performance are highlighted in the paragraphs below.

Environmental performance

Management approach

Enhancing environmental performance remains a key focus of the Group's sustainability efforts. Priority areas include climate action, energy saving, effective waste management, and responsible and sustainable consumption. The Group's environmental approach is set by the ESG Steering Committee and the Board with the help of the Green Living Sub-committee. This Sub-committee also sets objectives and targets, reviews and evaluates the Group's initiatives pertaining to environmental protection and identifies areas for improvement.

Climate resilience and GHG emissions

The Group's Environmental Policy sets out its commitment to perform beyond statutory requirements and to raise awareness about sustainability among all stakeholders. At the office level, Green Office Policy and Green Office Management Guidelines provide recommendations for best practices in workplace relating to energy, water and office supplies

consumption. The Group also remains dedicated to raising environmental awareness among colleagues to improve its collective performance.

For the year ended 30th June, 2022, there were no confirmed incidents of non-compliance with relevant laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group.

Climate resilience

Climate change is posing imminent impacts on the environment and the community. The Group recognises the importance of addressing climate change and is committed to adopting appropriate measures and best practices to mitigate physical and transition risks, and the associated impacts of business operations. The Group's Climate Change Policy provides guidelines to address and mitigate climate risks across its operations.

Mitigation

- reducing its carbon footprint by setting long-term carbon reduction target to reduce GHG emissions;
- adopting appropriate practices to improve energy efficiency in its operations;
- encouraging the use of renewable energy, low-carbon and energy efficient products and materials;
- communicating and encouraging employees, guests, contractors, suppliers and other stakeholders to reduce carbon footprint whenever practicable; and
- monitoring and regularly reporting progress in carbon management and reduction.

Adaptation

- retrofitting with climate-resilient features where appropriate; and
- monitoring and responding to market and technological shifts, regulatory and policy changes associated with climate change.

Environmental performance

(Continued)

Climate resilience and GHG emissions

(Continued)

GHG emissions management and disclosure

Some of the measures to mitigate climate-related issues include:

- over 90% of the lights in the hotels are equipped with energy-efficient lamps;

- installing energy-efficient heat pumps; and
- replacing aged equipment to enhance operational efficiency and reduce carbon emissions.

The Group has stringent measures to reduce GHG emissions according to local government policies and international frameworks such as Hong Kong's Climate Action Plan 2030+ and the Paris Agreement. The Group continues to uphold transparency in disclosure by reporting its GHG emissions annually in the Environmental Protection Department's Carbon Footprint Repository for Listed Companies in Hong Kong.

GHG emissions from the Group's operations

			For the year ended 30th June, 2022	For the year ended 30th June, 2021
		Unit		
Scope 1	Direct GHG emissions	tonnes CO ₂ equivalent	467.02	434.58
Scope 2	Indirect GHG emissions	tonnes CO ₂ equivalent	6,773.17	6,439.83
Scope 3	Other indirect GHG emissions	tonnes CO ₂ equivalent	63.08	69.04
Total GHG emissions		tonnes CO ₂ equivalent	7,303.27	6,943.45
GHG emissions intensity		tonnes CO ₂ equivalent/ room night	0.02	0.02

Notes:

1. Scope 1 emissions included direct GHG emissions from fuel consumption and loss of refrigerant. Scope 2 emissions included indirect GHG emissions from purchased electricity and gas. Scope 3 emissions included indirect GHG emissions from water consumption and paper waste disposal.

2. Calculation methodologies for GHG emissions:

Methodologies: "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" published by the Environmental Protection Department and the Electrical and Mechanical Services Department of the Hong Kong SAR Government.

Sources of emission factors: Local power and utility companies, Drainage Services Department and Water Supplies Department of the Hong Kong SAR Government. Emission factors adopted have been updated based on the above sources.

The Group reviews opportunities to improve energy and natural resources management across its operations on a regular basis, as outlined in the Energy Policy and Green Office Policy. Particular attention has been paid to enhancing the energy efficiency of the Group's assets. The Group sets a GHG emissions reduction target of 30% from 2012 baseline by 2030. As at 30th

June, 2022, a reduction of 36.8% carbon emissions from 2012 level was recorded, equivalent to planting 185,600 trees. The Group will continue to monitor the progress on GHG emissions reduction and identify new opportunities to reduce GHG emissions. Emissions of nitrogen oxides, sulphur oxides and other air pollutants are not considered significant in the Group's operations.

Environmental, social and governance report (Continued)

Environmental performance

(Continued)

Climate resilience and GHG emissions

(Continued)

Energy consumption and efficiency

The Group recognises the importance of improving energy efficiency in daily operations. As a responsible corporate citizen, the Group continues to manage energy consumption responsibly. The Group has set a target to reduce its electricity consumption by 30% from 2012 baseline by 2030. For the year ended 30th June, 2022, a reduction of 25.9% electricity consumption from 2012 level was recorded. The Group has implemented multiple environmental-friendly measures to enhance energy efficiency in its hotels. In addition, the Group has implemented various energy saving initiatives, including:

- participating in the Peak Demand Management Programme of CLP Power Hong Kong Limited;

- replacing fluorescent lamps and quartz lamps by LED lights for better energy efficiency;
- reducing unnecessary lighting; and
- continuing to engage employees and guests in supporting energy-saving initiatives, including the Earth Hour event organised by WWF.

The Group continues to participate in the Energy Saving Charter (“Charter”) initiated by the Environment Bureau (now known as Environment and Ecology Bureau) and the Electrical and Mechanical Services Department of the Hong Kong SAR Government. As the Charter’s participant, the Group maintains an average indoor temperature between 24°C and 26°C during the summer months, switches off electrical appliances and systems when not in use and engages colleagues and guests to adopt energy saving practices together. The Group also signed the 4T Charter (Target, Timeline, Transparency and Together) to commit in reduction of electricity consumption.

Energy consumption from the Group’s operations

		<i>Unit</i>	For the year ended 30th June, 2022	For the year ended 30th June, 2021
Electricity	Consumption	<i>kWh</i>	12,018,914	11,617,098
	Intensity	<i>kWh/room night</i>	30.43	41.25
Fuel – Towngas	Consumption	<i>MJ</i>	2,348,256	2,569,152
	Intensity	<i>MJ/room night</i>	5.95	9.12

Renewable energy and electric vehicle charger

The Group is harnessing technology to reduce the Group’s GHG footprint and is committed to promoting the use of renewables in its operations. 72 photovoltaic panels have been installed in City Garden Hotel, with a rated power of 21.6 kW and aimed to generate an estimated 20,822 kWh of electricity annually.

The Group also continues to encourage the use of electric vehicles. In echo to the Energy Saving Plan For Hong Kong’s Built Environment 2015-2025+ released by the Environment Bureau (now known as Environment and Ecology Bureau), the Group installed electric vehicle charging station at the car parking area of City Garden Hotel.

Environmental performance

(Continued)

Waste reduction and management

Responsible and sustainable consumption are at the heart of the Group's resources and waste management efforts. The Group's Waste Management Policy prioritises the avoidance of excessive consumption and the selection of sustainable alternatives. It also promotes proper reuse, recycling and disposal of waste across its operations. The Group has also implemented programmes to engage employees and guests in waste reduction, as well as recycling. Plastic bottles, paper and used cooking oil are examples of the Group's recycling programme. The ESG Steering Committee is responsible for reviewing, evaluating and continuously monitoring all material use and waste management initiatives.

A key component of the Group's waste management initiatives entails reducing and recycling single-use plastic. The Group has committed to reducing single-use plastic consumption by 50% by 2022 from 2017 level and strived to reduce plastic consumption

where possible. Since June 2018, the Group has reduced single-use plastic usage at source through various initiatives including eliminating plastic straws, providing eco-friendly containers and cutleries, placing refillable dispensers in standard rooms of all hotels, and introducing umbrella dryers.

The Group initiated the first hotel-wide substitution of plastic bottled water in its premises in Hong Kong by offering smart filtered water refill stations in its hotels as a sustainable option to plastic bottled water. Clean filtered drinking water is served to hotel guests in 49 easily accessible locations, serving 1,282 guest rooms and facilities. As at 30th June, 2022, more than 1,098,700 plastic bottles have been saved, representing a reduction in carbon emission by over 1,734,000 kg, equivalent to 78,900 trees planted.

For the year ended 30th June, 2022, the Group achieved the single-use plastic reduction target and reduced consumption by a total of 72%. Looking to the future, the Group has set a new target to eliminate single-use plastic from the Group's core business operations by 2035. This will help the Group to further reduce waste and GHG emissions.

Waste produced from the Group's operations

		<i>Unit</i>	For the year ended 30th June, 2022	For the year ended 30th June, 2021
Hazardous waste ¹	Disposal	<i>kg</i>	251.00	246.00
	Intensity	<i>kg/room night</i>	0.000635	0.00087
Non-hazardous waste ²	Disposal	<i>tonnes</i>	1,652	1,421
	Intensity	<i>kg/room night</i>	4.18	5.05

Notes:

- Hazardous waste was collected by qualified contractors for recovery and/or disposal in a safe manner in compliance with relevant regulations.
- Non-hazardous waste was collected by licensed collectors for proper disposal in compliance with relevant regulations.

Environmental, social and governance report (Continued)

Environmental performance (Continued)

Waste reduction and management (Continued)

Recycled materials from the Group's operations

	<i>Unit</i>	For the year ended 30th June, 2022	For the year ended 30th June, 2021
Plastic bottles	<i>kg</i>	1,624	130
Glass bottles	<i>kg</i>	152	1,524
Paper	<i>tonnes</i>	14	26
Aluminum cans	<i>kg</i>	0	21
Used cooking oil	<i>litres</i>	4,167	3,120
Coffee grounds	<i>kg</i>	256	279

Food waste management

The Group manages food waste through a structured food waste recycling programme and has set up a Food Waste Management Task Force Team since 2013. The task force team conducts regular reviews of the effectiveness of food production, processing and disposal procedures in the hotels, and exchanges insights on food waste reduction among the employees.

As a participant of the Food Wise Hong Kong Campaign since 2013, the Group is committed to promoting best practices and behavioural changes to reduce food waste; implementing plans to reduce food waste in its operation, and supporting food donation activities whenever possible.

Food waste is collected on a daily basis and delivered to O • PARK1, Hong Kong's first organic resources recovery centre, for converting food waste into biogas for power generation through the application of advanced biotechnology and compost for landscaping use. Food waste disposal and recycling figures are collected and analysed on a monthly basis, so as to monitor closely the food waste management and its effectiveness.

For the year ended 30th June, 2022, 16,798 kg (2021: 34,277 kg) of food waste were collected for recycling.

Engaging stakeholders to promote circular economy

The Group continues its commitment to engage colleagues, guests and the wider community in consumption reduction as well as recycling and upcycling, to raise awareness on waste management. In December 2021, the Group celebrated the festive season with the 'Upcycled Christmas Tree Campaign'. For the second year in a row, the Group encouraged colleagues to collect and upcycle different kinds of reusable materials and waste such as paper, plastic bottles, light bulbs, CDs, beverage caps, etc., and transform them into unique Christmas trees and ornaments, to fill homes and offices with sustainable festive vibes.

Responsible and sustainable consumption

The Group encourages environmentally responsible procurement practices among business units and suppliers. Initiatives to conserve water, promote sustainable procurement and protect biodiversity have also been introduced.

Environmental performance

(Continued)

Responsible and sustainable consumption (Continued)

Water consumption and efficiency

The Group's Environmental Policy outlines its commitment to utilising precious resources like water efficiently. The Group monitors water consumption monthly and promotes responsible water management to hotel guests.

The Group aims to reduce water consumption by 20% by 2030 from 2018 baseline. As at 30th June, 2022, a reduction of 56.54% in water consumption from 2018 level was recorded. A significant reduction of water consumption was recorded due to the unprecedented

and exceptional business environment caused by COVID-19. The Group will continue to monitor its progress on water consumption to enhance its water conservation efforts through various measures. The key water saving measures include:

- installing water-saving devices;
- encouraging hotel guests to participate in the linen and towel reuse programme;
- promoting awareness among housekeeping and kitchen colleagues to use water efficiently;
- using jet sprays to wash dishes effectively and reduce water consumption;
- operating fully-loaded dishwashers and washing machines; and
- inspecting water facilities regularly to ensure there is no leakage.

Water consumption from the Group's operations

		Unit	For the year ended 30th June, 2022	For the year ended 30th June, 2021
Water ¹	Consumption	m ³	102,882	95,277
	Intensity	m ³ /room night	0.26	0.34

Note:

1. All potable water and flushing water used by the Group were provided by the municipal water supplies. There were no issues related to sourcing water that was fit for purpose.

Sustainable procurement

The Group's Sustainable Procurement Policy integrates environmental considerations into contractor/supplier selection, procurement processes and activities. For example, the environmental, energy, water and other natural resources implications, as well as waste generation at all stages of the life cycle and labour practices are considered. In line with this policy, the

Group purchases sustainable paper products for its office operations. This policy also strongly encourages all purchasing units to follow relevant government policies on sustainable product specifications. As the Group strives to minimise its social and environmental impacts across its value chain, engagement with contractors and suppliers is crucial.

Environmental, social and governance report (Continued)

Environmental performance

(Continued)

Responsible and sustainable consumption (Continued)

Sustainable procurement (Continued)

The Group encourages sustainable food choices across its hotels. The Group has shown its commitment to promote marine conservation by ceasing to serve shark fin at all of its restaurants and banquet halls since 2012. To further promote marine conservation, the Group has adopted the Seafood Guide issued by WWF for procuring sustainable seafood that complies with sustainability schemes, including Aquaculture Stewardship Council and Marine Stewardship Council certified sustainable seafood at all restaurants. The Group has pledged that, by 2025, 60% of the seafood served at its hotels will come from sustainable sources. As at 30th June, 2022, 50% of seafood purchased was from sustainable sources. The Group has also pledged to source 100% cage-free eggs by 2025.

Green packaging

The Group's Guidelines on Green Gift Hampers and Basket Packaging Design encourage suppliers to reduce excessive packaging and explore the use of environmentally responsible materials. The Group's suppliers are encouraged to opt for simple packaging designs using recyclable and reusable materials, while those with high environmental impact or low recycling value (such as PVC plastic or plastic foam) should be minimised.

For the year ended 30th June, 2022, 1.74 tonnes (2021: 2.32 tonnes) of materials were used for festive packaging.

Social performance

Management approach

The Group prioritises the wellness of our stakeholders as we seek to achieve the Group's corporate vision of making Sino the preferred choice for guests, investors and employees. The Green Living Sub-committee of the ESG Steering Committee supports fair employment practices and ensures the Group complies with local labour regulations. The Sub-committee meets quarterly to identify, monitor and review current and emerging issues and trends related to human capital development, including the increasingly important issues of health, safety and wellbeing amid the COVID-19 pandemic.

Human Rights Policy, Diversity and Inclusion Policy and Health and Safety Policy provide guidance on maintaining a fair workplace as well as a safe environment for the Group's employees, guests and the community.

Employment and labour practices

The Group's core values of "Integrity", "Respect" and "Teamwork" define its approach to workplace practices. To acquire and retain talent, the Group supports equality for all, provides training and career development opportunities and offers competitive remuneration and benefits.

As a responsible employer, the Group safeguards equal opportunities in recruitment, training, promotion, transfers and remuneration, regardless of gender, disability, family status, marital status, pregnancy, race, religion, age, nationality or sexuality. The Group's Diversity and Inclusion Policy outlines its commitment to ensuring a workplace free of discrimination, harassment or vilification, where employees can enjoy fair treatment at all times.

Environmental, social and governance report (Continued)

Social performance (Continued)

Employment and labour practices (Continued)

Training in workplace diversity and non-discrimination is provided during orientation to all new colleagues. The Human Resources Department also organises training on effective communication to help employees increase their productivity in the workplace.

For the year ended 30th June, 2022, there were no confirmed incidents of non-compliance with relevant laws and regulations relating to employment and labour practices that have a significant impact on the Group.

Total number of employees

	<i>Unit</i>	For the year ended 30th June, 2022	For the year ended 30th June, 2021
<i>By gender</i>			
Male	<i>people</i>	204	226
Female	<i>people</i>	156	172
<i>By employee category</i>			
Senior level	<i>people</i>	16	14
Middle level	<i>people</i>	37	34
Entry level	<i>people</i>	289	337
Contract/short-term employees	<i>people</i>	18	13
<i>By employment type</i>			
Full-time	<i>people</i>	342	387
Part-time	<i>people</i>	18	11
<i>By age group</i>			
Under 30 years old	<i>people</i>	29	36
30-50 years old	<i>people</i>	161	195
Over 50 years old	<i>people</i>	170	167
<i>By geographical region</i>			
Hong Kong	<i>people</i>	360	398

Turnover rate

	<i>Unit</i>	For the year ended 30th June, 2022	For the year ended 30th June, 2021
<i>By gender</i>			
Male	<i>%</i>	27.4	42.5
Female	<i>%</i>	22.0	55.8
<i>By age group</i>			
Under 30 years old	<i>%</i>	61.5	86.1
30-50 years old	<i>%</i>	24.2	54.4
Over 50 years old	<i>%</i>	19.0	32.9
<i>By geographical region</i>			
Hong Kong	<i>%</i>	25.1	48.2

Environmental, social and governance report (Continued)

Social performance (Continued)

Employment and labour practices (Continued)

Employee wellness

The Group offers a holistic Employee Wellness Programme providing various activities across the themes of work, family, physical and mental health. The Group organised activities during festivals, including Father's Day, Mother's Day, Mid-Autumn Festival, Halloween and Christmas, featuring classes and treats for colleagues and their families to enjoy together.

To appreciate colleagues' hard work and contribution, the Group launched a thankful week in September 2021. Activities included lucky draws, staff sales bazaar, massage sessions and singing bowl yoga.

Health and safety

The Group endeavours to provide a healthy and safe environment for its stakeholders, including employees, contractors and guests. The Group adopts stringent health and safety practices and adheres to all relevant laws and regulations. The Group's Health and Safety Policy covers employees, contractors, customers and other stakeholders. The Policy stipulates the health and safety principles that the Group adheres to, including:

- to integrate health and safety into operations and other business activities;
- to adopt risk-based approach to identify, evaluate, mitigate and report issues on health and safety;
- to operate a health and safety management system that complies with relevant laws, regulations, as well as industry standards and best practices;
- to foster a healthy and safety culture by maintaining effective communication with all stakeholders through various channels and allocating resources, including training, equipment, facilities, material applications, methods and systems, to achieve and maintain the highest possible health and safety standards;

- to monitor health and safety performance through the establishment of relevant indicators and conduct regular inspections and audits; and
- to conduct periodic tests and drills on emergency response procedures to ensure customers' safety.

The Green Living Sub-committee under the ESG Steering Committee ensures that health and safety principles are embedded across all business lines.

Training is crucial for employees to build the right mindset and cultivate high safety standards. The Group hosts regular safety training workshops for employees 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 effectiveness of occupational health and safety ("OHS") measures, the Group reviews the performance of OHS measures on a regular basis. OHS 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 minimise associated risks.

The Group continues to ensure employee health and safety at work and maintains a low incident rate. 16 work injury cases accounting for 1,000 lost days were reported for the year ended 30th June, 2022 (2021: 12 work injury cases accounting for 494 lost days). There were no recorded work-related fatalities in the past 3 years.

For the year ended 30th June, 2022, there were no confirmed incidents of non-compliance with relevant laws and regulations relating to OHS that have a significant impact on the Group.

Social performance (Continued)

Training and development

Employee training and development are essential for the long-term success of the Group. The Group consistently encourages colleagues to acquire new skills and attain qualifications to support their professional growth and the Group's needs. The Group provides a wide spectrum of internal and external training opportunities to deepen employees' knowledge and help them acquire interdisciplinary skills. To promote lifelong learning, the Group offers employees examination leave and educational subsidies for them to participate in external training.

The Group launched a training programme, named GROW Programme, to prepare high potential entry level colleagues to step up to supervisory functions. The programme includes various workshops covering career development, communication skills, team collaboration, service excellence, work guidance, cross-departmental training and concludes with a project. Upon completion of the programme, participants will be able to communicate and collaborate with stakeholders in a competent manner, deliver service excellence and provide work guidance in their area of responsibility.

Employee training hours

	Headcount		Total training hours		Average training hours/employee		Percentage of employees trained	
	For the year ended 30th June, 2022	For the year ended 30th June, 2021	For the year ended 30th June, 2022	For the year ended 30th June, 2021	For the year ended 30th June, 2022	For the year ended 30th June, 2021	For the year ended 30th June, 2022	For the year ended 30th June, 2021
<i>By gender</i>								
Male	204	226	5,780.59	6,359.67	28.34	28.14	100%	100%
Female	156	172	3,797.40	5,241.42	24.34	30.47	100%	100%
<i>By employee category</i>								
Senior Level	16	14	350.75	330.94	21.92	23.64	100%	100%
Middle level	37	34	1,204.30	1,500.01	32.55	44.12	100%	100%
Entry level	289	337	8,022.94	9,770.14	27.76	28.99	100%	100%
Contract/short-term employees	18	13	0	0	0	0	0%	0%

Labour standards

The Group's Code of Conduct, Human Rights Policy and other regulations related to work and labour practices help ensure that the Group operates its business according to high standards of ethical behaviour and integrity. The Code of Conduct outlines the expectations that all employees must meet and clearly sets out the Group's approach to address any violations. Training on the Code of Conduct is provided to all new employees, with existing employees required to review the Code of Conduct annually. The Group's high ethical standards extend to suppliers as outlined in the Contractor/Supplier Code of Conduct.

Policies are in place to prevent unethical behaviour in recruitment, promotion and dismissal. The Group forbids forced labour and child labour, which extends to its contractors and suppliers as specified in the Contractor/Supplier Code of Conduct. Communication channels are available for employees, contractors and suppliers to report any concerns. Anyone found to be in violation of the Codes of Conduct is subject to disciplinary action.

For the year ended 30th June, 2022, there were no confirmed incidents of 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 performance (Continued)

Supply chain management

Supply chain management is essential to ensure high-quality, sustainable products and services. The Group encourages its contractors and suppliers to observe the Group's core values, and to adhere to ethical as well as socially and environmentally responsible practices.

To facilitate communication with contractors and suppliers on sustainability issues, the Group has developed the Contractor/Supplier Code of Conduct and the Sustainable Procurement Policy, which are included in every standard tender document. The Contractor/Supplier Code of Conduct covers regulatory compliance, labour practices, anti-corruption, environmental measures, green procurement, OHS and business ethics. The Sustainable Procurement Policy strongly encourages all purchasing units to integrate sustainability into procurement practices.

Regular monitoring and annual performance reviews of registered suppliers are conducted to minimise environmental and social risks in the supply chain. The Group also has standard approach and criteria to assess the performance of suppliers and contractors. For instance, factory audit and due diligence on the approved suppliers/contractors are conducted to review and assess their performance. Spot checks are conducted on a regular basis to ensure full compliance with laws and other requirements by the suppliers and contractors. The corresponding user department of the Group evaluates the performance of each contractor and supplier on the basis of the acceptance criteria and records, as stated in the performance assessment form. Such criteria include quality of service, safety measures, timeliness and overall performance as well as their commitment to sustainability.

Number of suppliers by geographical region

	For the year ended 30th June, 2022	For the year ended 30th June, 2021
Hong Kong	551	607
Mainland China and Taiwan	5	6
Asia (except Hong Kong, Mainland China and Taiwan)	1	2
Europe and North America	0	1

Social performance (Continued)

Product responsibility

Customer satisfaction

“Customer First” and “Quality Excellence” are the core values that are essential to the long-term sustainability of the Group’s business.

The Group puts significant emphasis on understanding the needs of its guests and customers to achieve product and service excellence. This is accomplished by participating in professional guest experience surveys and programmes in various communication channels, including daily communication, comments posted online, courtesy calls, electronic customer feedback forms, guests experience surveys and mystery shopper programmes. The Group also established a Customer Satisfaction and Complaints Handling System, and the required standards to handle guest and customer feedback, enabling prompt responses to their concerns.

Food quality and safety are the Group’s top priorities when seeking to provide the best experience for its guests and customers. The Group has strict protocols to ensure its food supplies are of high quality.

Product recall procedures are not considered material to the operations of the Group. If any products are identified as potentially unsafe, a product recall procedure would be initiated to stop the distribution and sale of the products. The incident would be recorded and reported. No substantive product or service related complaints that have a significant impact on the Group were received for the year ended 30th June, 2022. The Group did not record any major incident of recall due to safety and health reasons for the year ended 30th June, 2022.

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

To promote social integration and inclusion, the Group reasserts its commitment through creating a barrier-free environment and culture at its hotels. Guide dog training sessions and sign language sessions are provided to the hotel employees so that they are capable of catering the needs of the guests and customers. 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.

Environmental, social and governance report (Continued)

Social performance (Continued)

Product responsibility (Continued)

Combating COVID-19

During COVID-19, the Group keeps abreast with the needs and expectations of its guests, colleagues and partners, with primary concern on their comfort, safety and health. In September 2021, 100% of the Group's employees received two doses of vaccines. Furthermore, the Group is committed to providing a safe and comfortable environment, and operating to the highest level of health and safety measures based on the advice of respective travel and health authorities:

- increasing sanitisation frequency of its restaurants, guest facilities, common areas and furniture;
- cleaning and disinfecting each guest room thoroughly after every check-out;
- installing air purifiers and disinfectant dispensers; and
- exercising contactless express check-out and payment procedures where possible.

In braving the COVID-19 pandemic together with the community, The Royal Pacific Hotel & Towers is serving as a Designated Quarantine Hotel recognised by the Hong Kong Government providing over 650 rooms and suites for quarantine stay, serving arrivals from all regions and countries outside Mainland China and Macao.

Customer privacy

The Group is committed to ensuring the safe collection and usage of personal data as well as intellectual property rights. The Group's Code of Conduct stipulates that all employees should treat guest and customer data in strict confidence and protect intellectual property. The Group closely follows the Personal Data (Privacy) Ordinance in Hong Kong when handling customer data. Training is provided to relevant employees regularly on the protection of personal data in accordance with Hong Kong's Personal Data (Privacy) Ordinance, in collaboration with the Office of the Privacy Commissioner for Personal Data of the Hong Kong SAR Government.

Regular reviews and revisions of the Group's personal data and privacy protection practices are carried out to ensure compliance with relevant laws and identify improvement actions as needed. Trademarks and domain names are registered in various jurisdictions to protect the intellectual property of the Group. The Group understands that intellectual property rights constitute a valuable company asset. The Group protects the intellectual property, trademarks, copyrights, design and patents of its own, and is committed to respecting others. Anyone who breaches intellectual property or customer privacy obligations is subject to disciplinary action, including termination of employment. Action is taken immediately if scamming or infringing articles or materials in relation to the Group are discovered. If a criminal offence is suspected, a report is made to the relevant authorities for further action.

The Group did not record any substantial complaints regarding breaches of customer privacy for the year ended 30th June, 2022.

For the year ended 30th June, 2022, there were no confirmed incidents of 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.

Social performance (Continued)

Anti-corruption

Good governance must start with the highest standards of “Integrity”, which is a core value of the Group. The Group does not compromise on ethical standards and does not tolerate any form of corruption or bribery in its business transactions. Employees are required to perform their duties with integrity, in an ethical and proper manner, and in compliance with the applicable laws and regulations.

To ensure proper conduct across all aspects of the Group’s operations, the Group’s Code of Conduct sets out its approach to addressing any violations and outlines the requirements that all employees of the Group must meet. The Group’s Anti-Corruption Policy is established to ensure proper conduct across all aspects of its business. This policy covers conducts including bribery, solicitation and acceptance of advantages, conflicts of interest, forging of documents or presenting false accounting records, as well as the acceptance of gifts and entertainment from third parties.

The Group has a Whistleblowing Policy, which encourages employees to raise and report in confidence any concerns about misconduct, malpractice, or irregularities in any matters concerning the Group. To assist the Group in achieving its business commitments and upholding corporate integrity, the Group has established the Business Ethics Committee. In addition, to protect employees who report unethical conducts, a confidential and secure channel specified under Unethical Conduct Notification (“UCN”) Policy and Procedures has been established. In situations where an employee identifies any possible breach of the Code of Conduct or any act of misconduct, the employee

can make a report to the Business Ethics Committee. The identity of reporting person is strictly protected, and every reasonable effort will be made to maintain the confidentiality to ensure that no retaliation will result from reporting in good faith the misconduct. The mechanism will be followed by thorough investigation to ensure all reported issues are dealt with promptly.

Ongoing monitoring and regular reviews of the UCN Policy and Procedures are carried out to ensure its continuous effectiveness. Anti-corruption training is provided to employees and Executive Directors, in collaboration with the Independent Commission Against Corruption, on a regular basis.

For the year ended 30th June, 2022, there were no confirmed incidents of non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group. There were also no recorded legal cases regarding corrupt practices brought against the Group or its employees.

Community engagement

The Group strives to build an inclusive society by engaging with stakeholders and supporting those in need. The Group continues to engage charitable organisations and NGO partners in collaborative events and activities to further its reach to all members of the society, from children and youth to the elderly. The Group also promotes social integration by organising initiatives that empower and enhance the social mobility of less-resourced members of the community.

For the year ended 30th June, 2022, the Group’s volunteers performed around 390 hours of volunteer services in Hong Kong.

Environmental, social and governance report (Continued)

Social performance (Continued)

Community engagement (Continued)

Hearty Soup Delivery Programme

For the eleventh year in a row, the Group collaborated with its community partners through its Hearty Soup Delivery Programme. Volunteering colleagues delivered freshly-made, nutritious soup prepared by hotels' chefs across Hong Kong to the elderly members between October 2021 and March 2022.

For the year ended 30th June, 2022, around 2,100 bowls of hot soup were delivered to people in need, spreading love and care to the elderly in the city.

Food Donation Programme

Since 2011, the Group has partnered with food-related charities on the Food Donation Programme. The programme aims to conduct food donation of well-prepared cooked food to the underprivileged families in the community weekly. The Group's volunteers also visit several community service centres and deliver hotels' food to the residents in need.

The livelihoods of people, especially the less-resourced in the community, have been impacted by the COVID-19 situation. In view of the need for immediate assistance, the Group partnered with Ng Teng Fong Charitable Foundation to launch a six-month meal donation programme in April 2021. The six-month meal donation programme distributed over 67,000 nutritious meal boxes to individuals and families in need in various districts.

Caring for the less-resourced women

The Group has participated in the Soap for Hope Programme to recycle soap bars discarded from its hotels whilst promoting local women empowerment in Hong Kong since 2015. Collaborating with suppliers, the collected soap bars are sent to members of the Hong Kong Federation of Women's Centres. The collected soap bars are reprocessed as eco-friendly soap bars and donated to less-resourced families and women in Hong Kong. This programme aims to provide job opportunities and empowerment to the less-resourced women in the society by helping them instill and master new skills.

The Group further collaborates with the Hong Kong Federation of Women's Centres in Linen for Life Programme to recycle hotels' guest rooms towels, bed linens and curtains. This recycling programme converts materials discarded by hotels into upcycled products to support the less-resourced families.

Social integration

The Group strives to promote social inclusion and provide equal opportunities to the disadvantaged members in the community. To continue the Group's efforts to promote social integration, the Group continues to collaborate with Hong Chi Association to provide long-term employment and training opportunities to share skills with its students.

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”) applicable to the Company for the financial year ended 30th June, 2022, save as disclosed in this report. The corporate governance practices of the Company in compliance with the Code during the financial year ended 30th June, 2022 with explanation of the deviations are set out in this report. Certain new requirements under the Code which are applicable for the financial year commencing on or after 1st January, 2022 will be disclosed in the Company’s next corporate governance 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 practices

(Continued)

Directors (Continued)

Division of responsibilities

The Board, led by the Chairman, is responsible for the Company's future development directions, overall strategies and policies, evaluation of the financial performance of the Company and approval of matters that are of a material or substantial nature, 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.

The Chairman ensures that the Board works effectively to discharge its responsibilities in the best interests of the Company, and, to establish good corporate governance practices and procedures. He also ensures that all key and appropriate issues are discussed by the Board in a timely manner and all Directors are encouraged 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. During the year, the Chairman held a meeting in December 2021 with the Independent Non-Executive Directors without the presence of other directors in compliance with the applicable code provision of the Code.

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.

Corporate governance practices

(Continued)

Directors (Continued)

Division of responsibilities (Continued)

To enhance the function of the Board, four board committees, namely 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.

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 under review. 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, 2022, 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>)	4/4
Mr. Daryl Ng Win Kong (<i>Deputy Chairman</i>)	4/4
Mr. Thomas Tang Wing Yung	4/4
Mr. Giovanni Viterale (<i>resigned on 31st December, 2021</i>)	2/2
<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. Steven Ong Kay Eng	4/4
Mr. Wong Cho Bau	3/4
Mr. Hung Wai Man	4/4

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.

Corporate governance practices

(Continued)

Directors (Continued)

Board meetings and supply of and access to information (Continued)

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 under review, the management has provided all members of the Board with the relevant updates of major business operations giving a balanced and understandable assessment of the Company's performance, position and prospects.

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 its 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 2022 annual general meeting are set out on page 50 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 a Director.

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 current 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 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 arranges to conduct in-house seminars/webinars 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 ^(Notes)
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong	a, b
Mr. Daryl Ng Win Kong	a, b
Mr. Thomas Tang Wing Yung	a, b
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	a, b, c, d
Mr. Gilbert Lui Wing Kwong	a, b
<i>Independent Non-Executive Directors</i>	
Mr. Steven Ong Kay Eng	a, b, d
Mr. Wong Cho Bau	a, b
Mr. Hung Wai Man	a, b
<i>Notes:</i>	
a. corporate governance	
b. regulatory	
c. finance	
d. managerial	

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.

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 committee members to committee meeting(s) are set out below:

Committee members	Meeting(s) attended/held
Mr. Steven Ong Kay Eng* (Committee Chairman)	1/1
Mr. Daryl Ng Win Kong	1/1
Mr. Hung Wai Man*	1/1

* Independent Non-Executive Director

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

Corporate governance practices

(Continued)

Nomination of directors and senior management

Nomination policy

The Company has adopted the Nomination Policy for Directorship (“Nomination Policy”) with effect from 1st January, 2019 which supplements the terms of reference of the Nomination Committee and sets out the processes and criteria for the nomination of a candidate for directorship in the Company. This policy ensures that all nominations of the Board members are fair and transparent in order to facilitate the constitution of the Board with a balance of skills, experience and diversity of perspectives that is appropriate to the requirements of the Company’s business.

The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the reputation for integrity, accomplishment and professional knowledge and industry experience which may be relevant to the Company, commitment in respect of available time, merit and potential contributions to the Board with reference to the Company’s Board Diversity Policy, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an independent non-executive director. This policy also lays down the nomination procedures on appointment or re-appointment of directors.

The Nomination Committee will conduct the relevant selection process (coupled with the relevant selection criteria) against the nominated candidate for new directorship or director offer for re-election and make recommendations to the Board for consideration.

The Board will then make a decision as to whether the nominated candidate or the director offer for re-election shall be eligible to be appointed as a director of the Company or eligible to be re-appointed as a director of the Company respectively.

Board diversity policy

With a view to achieving a sustainable and balanced development, the Company has been considering diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board Diversity Policy allows the Company to consider board diversity from a number of factors when deciding on new and re-appointments to the Board in order to achieve a diversity of perspectives among Board members. These factors include but not limited to gender, age, ethnicity, cultural and educational background, professional or industry experience, skills, knowledge and other qualities of Directors. The Nomination Committee shall consider candidates on merits as well as against these measurable objectives with due regard for the benefits of the appropriate diversity of perspectives within the Board and also the candidates’ potential contributions thereto.

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.

Corporate governance practices (Continued)

Nomination of directors and senior management (Continued)

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 reports to the Board and holds regular meeting to assist the Board in discharging its responsibility in reviewing the structure, size and composition of the Board with reference to the Board Diversity Policy of the Company. The Committee makes 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.

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:

- reviewed the structure, size and composition of the Board and recommended the re-appointment of the retiring Directors;
- 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 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>	1/1
Mr. Steven Ong Kay Eng*	1/1
Mr. Hung Wai Man*	1/1

* *Independent Non-Executive Director*

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, 2022 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 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 43 to 48.

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 senior 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 confidence and followed through in accordance with the policy and procedures for notification of unethical conduct.

Corporate governance practices

(Continued)

Accountability and audit (Continued)

Risk management and internal control (Continued)

The internal control system also includes an appropriate organisational 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 reviewed regularly to ensure continued relevance and effectiveness, and for continuous improvement.

The Company's internal control system is fully integrated with the risk management framework. The ERM is a process through which risks together with the relevant controls are 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 regular independent review and test by the Internal Audit Department in order to assess their adequacy and effectiveness.

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 level of the risks, the Internal Audit Department performs audits and reviews on the operations of individual business units, and conducts recurring and impromptu site investigations on selected risk areas to assess the effectiveness of the controls implemented by the business units concerned. The audit findings regarding control weaknesses are communicated to the relevant business units. Significant 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 audit findings 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 heads of individual business units conduct 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 internal control self-assessment questionnaires, the heads of individual business units systemically review and assess the effectiveness of all the key 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 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 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, 2022, 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 results of the review 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 effectiveness of such systems. 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, 2022, 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.

For the financial year ended 30th June, 2022, 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 results of the Group-wide internal control self-assessment performed by individual business units; 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 adequate and effective. Although there were no significant control failings or weaknesses or areas of major concerns identified during the year, the risk management and internal control systems will be reviewed regularly for continuous improvement.

Corporate governance practices

(Continued)

Accountability and audit (Continued)

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.

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.

Corporate governance practices

(Continued)

Accountability and audit (Continued)

Audit Committee (Continued)

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

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

- the Company's 2021 annual report and audited financial statements and the 2021/2022 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 2022/2023;
- 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.

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

Committee members	Meeting(s) attended/held
Mr. Steven Ong Kay Eng*	4/4
Mr. Gilbert Lui Wing Kwong	4/4
Mr. Hung Wai Man*	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, 2022. 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.

Corporate governance report (Continued)

Corporate governance practices

(Continued)

Accountability and audit (Continued)

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, 2022 amounted to HK\$350,000 and HK\$270,000 respectively. The non-audit services mainly consist of review services.

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 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 Group Chief Financial Officer, a Senior Legal Counsel, the Company Secretary, 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 bi-monthly management reports on ongoing compliance regarding continuing connected transactions and usage of annual caps, provide a forum for regulatory updates for the management, consider corporate governance issues and make recommendations to the Board and the Audit Committee on the Company's corporate governance issues and Listing Rules compliance matters.

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 2021 annual general meeting ("2021 AGM") which was held on 27th October, 2021 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 2021 AGM. The attendance records of the then Directors to the 2021 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
Mr. Thomas Tang Wing Yung	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. Steven Ong Kay Eng	1/1
Mr. Wong Cho Bau	0/1
Mr. Hung Wai Man	1/1

The Company's notice to shareholders for the 2021 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 2021 AGM were contained in the circular of the Company to its shareholders, which was dispatched together with the 2021 annual report, and were further explained at the 2021 AGM prior to the polls being taken. Simultaneous translation from English to Cantonese was available at the 2021 AGM.

Separate resolutions were proposed at the 2021 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 27th October, 2021 are set out below:

Resolutions proposed at the 2021 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, 2021	100%
2(i) Re-election of The Honourable Ronald Joseph Arculli as Director	100%
2(ii) Re-election of Mr. Gilbert Lui Wing Kwong as Director	100%
2(iii) Re-election of Mr. Wong Cho Bau as Director	100%
2(iv) Authorization of the Board to fix the Directors' remuneration for the financial year ending 30th June, 2022	100%
3 Appointment of KPMG as Auditor for the ensuing year and to authorize the Board to fix their remuneration	100%
4(i) Share buy-back mandate up to 10% of the Company's issued shares	100%
4(ii) Share issue mandate up to 20% of the Company's issued shares	99.99%
4(iii) Extension of share issue mandate to the shares bought back under the share buy-back mandate	99.99%

Corporate governance practices

(Continued)

Communication with shareholders

(Continued)

Communication strategies (Continued)

Shareholders' meetings (Continued)

All resolutions put to shareholders at the 2021 AGM were passed. The Company's Principal Registrar was 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 Registrar. 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 practices

(Continued)

Communication with shareholders

(Continued)

Dividend policy

The Board has formalized and adopted a Dividend Policy with effect from 1st January, 2019 to set out the framework that the Company has put in place in relation to dividend payout to shareholders. The Company's Dividend Policy is consistent with its business profile and maintenance of a strong credit profile while providing steady dividend payout to shareholders. The Company aims to provide relatively consistent, and where appropriate increases, in ordinary dividends linked to the underlying earnings performance of the Company's business for the reporting period. The Company will declare and pay dividends in Hong Kong dollars.

The Company may also offer to its shareholders an option to receive dividends in the form of new shares in the Company credited as fully paid in lieu of cash dividends. The scrip dividend option will enable the shareholders to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. The Company may, at the Board's discretion, declare and pay dividends in any other forms as prescribed by its Articles of Association, as the Board deems appropriate.

The Board will review the Dividend Policy from time to time and may adopt changes as appropriate at the relevant time to ensure the effectiveness of this policy.

Shareholders' rights

Pursuant to Article 71 of the Amended and Restated Articles of Association of the Company, 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 can send a written requisition to the Company to convene a general meeting. 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, Uglan 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.

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:



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.

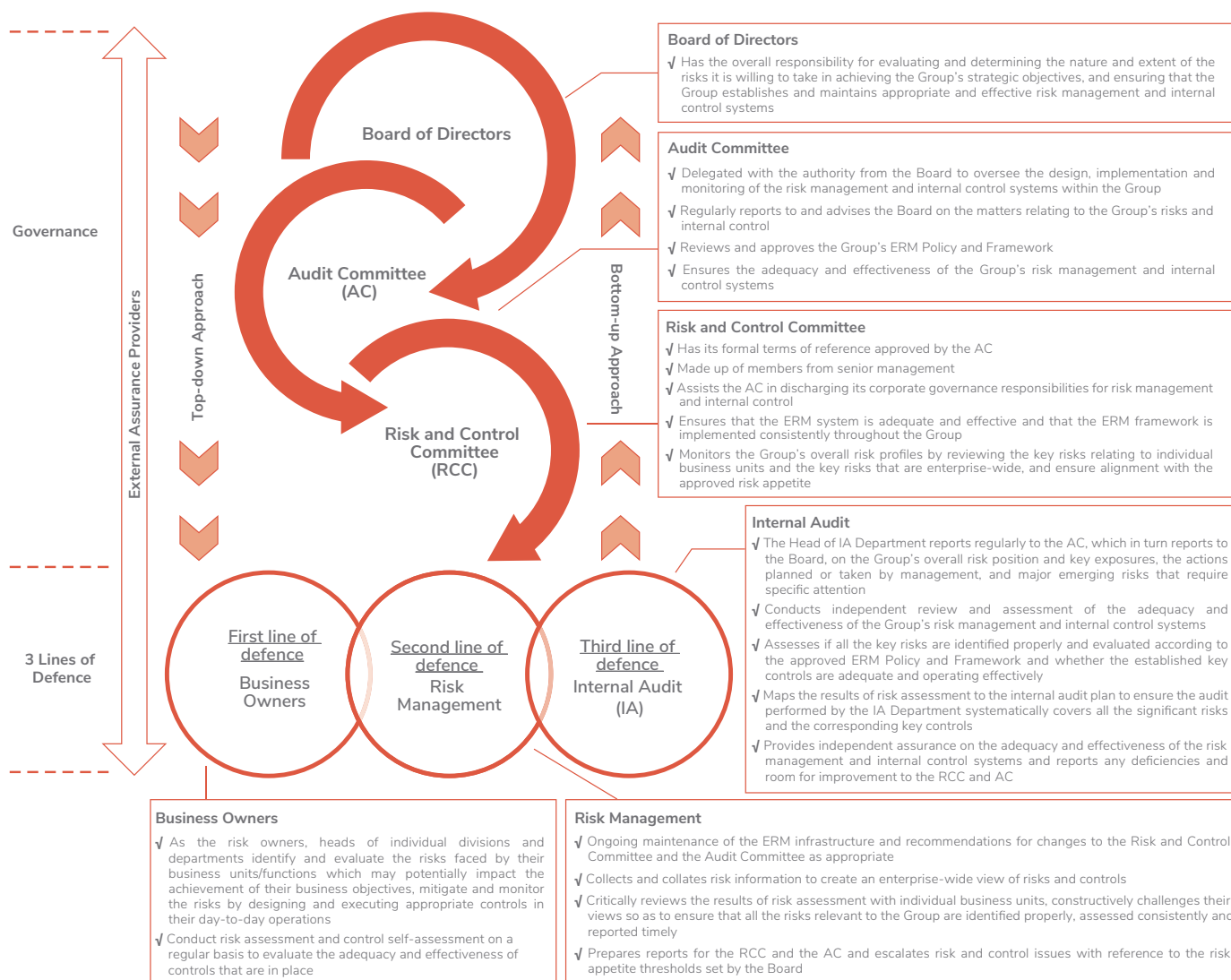
Risk governance and management

In June 2020, the Audit Committee approved the updated ERM Policy and Framework, which was based on the International Standard ISO 31000:2018 Risk Management – Guidelines, proposed by the Risk Management function of the Internal Audit Department. To ensure continued relevance and continuous improvement, the ERM Policy and Framework is reviewed and updated with changes regularly.

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

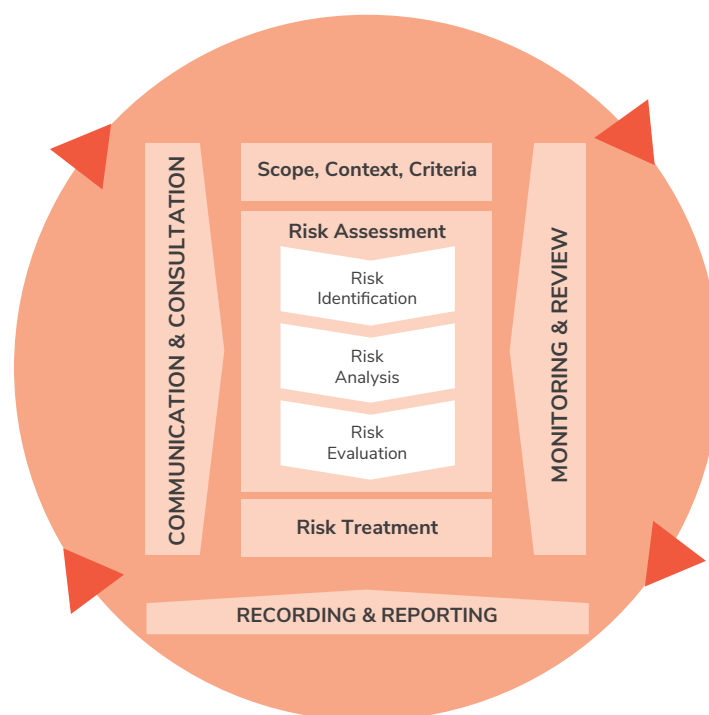
and the Risk and Control Committee of the Group. The risk management framework of the Group combines a top-down strategic view with a bottom-up operational assessment conducted by each division and department. Members of senior management discuss the top-tier risks escalated through the bottom-up process 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:



Risk management process

The ERM process is illustrated in the diagram below:



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

Communication and consultation

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

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.

Risk identification

Divisions and departments analyse 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.

Risk management report (Continued)

Risk management process (Continued)

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 sources of risk, the consequences and likelihood, the existing controls and their effectiveness.

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.

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 starting or continuing 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).

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 or when the situation requires.





Recording and reporting

The results of risk assessment are documented in the risk registers in a systematic and 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. Daily management meetings are held to identify and discuss emerging risk and determine the response required.

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.


Principal risks to the Group

The principal risks faced by the Group include the following:

Strategic Risk	
Risk Description	Risk Movement*
1. Changes in macro-economic outlook and government policies resulting in decrease in number of visitors/tourists/customers	
Key Controls/Mitigation Measures	
<ul style="list-style-type: none"> • Closely monitoring changes in global and local economic outlook as well as government policies, and making appropriate responses promptly • Constantly monitoring business performance and adjusting our pricing and marketing strategies accordingly • Continuous effort in market diversification to attract visitors from different countries • Regular review to determine if hotel properties and facilities need to be upgraded or renovated • Continuously improving the quality of our services to strengthen our brand and market position 	
Operational Risk	
Risk Description	Risk Movement*
1. Human resources – tight labour market	
Key Controls/Mitigation Measures	
<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 	
Risk Description	Risk Movement*
2. Cyber security	
Key Controls/Mitigation Measures	
<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 • Adoption of Security Operation Centre services for real-time identification, analysis and handling of threats 	
Risk Description	Risk Movement*
3. Disaster event, e.g. pandemic, terrorist attack	
Key Controls/Mitigation Measures	
<ul style="list-style-type: none"> • Comprehensive insurance coverage for our properties and business operations • Contingency plans developed and operational drill performed for critical business processes/functions • Taking immediate response actions, e.g. stepping up hygiene measures during COVID-19 pandemic • Annual drill on the contingency arrangement for the unavailability of the Property Management System 	

Risk management report (Continued)

Principal risks to the Group (Continued)

Compliance Risk	
Risk Description	Risk Movement*
1. Compliance with regulatory requirements on health and safety	
Key Controls/Mitigation Measures	
<ul style="list-style-type: none"> Guidelines have been issued to help hotel staff in complying with the new regulatory requirements, e.g. enforcing social distancing, limit on seating capacities, use of Vaccine Pass arrangement Mechanism for incident reporting is in place 	

For the financial risks of the Group, please refer to “Notes to the Consolidated Financial Statements” on pages 120 to 126.

For the risks related to Environmental, Social, and Governance (ESG) issues of the Group, please refer to the separate “Sustainability Report 2022”.

* Key – Risk Movement (change from last year)

 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 33 to 35.

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 page 35.

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30th June, 2022.

Principal activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 35 to the consolidated financial statements.

Subsidiaries and associates

Details of the Company's principal subsidiaries and associates at 30th June, 2022 are set out in Notes 35 and 17 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 3 to 7 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 43 to 48 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in Note 32 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the year ended 30th June, 2022, if any, are provided in the Notes to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 132 of this Annual Report.

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 8 to 24 of this Annual Report. Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report on pages 8 to 24, the Corporate Governance Report on pages 25 to 42 and this report on pages 49 to 57, of this Annual Report. The above discussions form part of this report.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 66.

No interim dividend declared during the year. The directors recommend no final dividend for the financial year.

Share capital

Details of movements during the year in the share capital of the Company are set out in Note 24 to the consolidated financial statements.

Distributable reserves of the company

The reserves available for distribution to the shareholders by the Company at 30th June, 2022 consisted of share premium, distributable reserve and retained profits totalling HK\$2,022,818,864.

Under the Companies Law (2022 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

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. Thomas Tang Wing Yung
Mr. Giovanni Viterale (resigned on 31st December, 2021)

Non-Executive Directors

The Honourable Ronald Joseph Arculli
Mr. Gilbert Lui Wing Kwong

Independent Non-Executive Directors

Mr. Steven Ong Kay Eng
Mr. Wong Cho Bau
Mr. Hung Wai Man

In accordance with the Company's Articles of Association and pursuant to Appendix 14 to the Listing Rules, Mr. Daryl Ng Win Kong and Mr. Hung Wai Man will retire at the forthcoming Annual General Meeting and, who being eligible, will offer themselves for re-election.

Directors' interests

As at 30th June, 2022, 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	550,140,537 <i>(Note)</i>	Beneficial owner of 322,464 shares, spouse interest in 956,899 shares and trustee interest in 548,861,174 shares in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.14%
The Honourable Ronald Joseph Arculli	286,123	Beneficial owner	0.02%
Mr. Gilbert Lui Wing Kwong	–	–	–
Mr. Steven Ong Kay Eng	–	–	–
Mr. Wong Cho Bau	–	–	–
Mr. Hung Wai Man	–	–	–
Mr. Daryl Ng Win Kong	–	–	–
Mr. Thomas Tang Wing Yung	–	–	–

Note:

The trustee interest in 548,861,174 shares comprises:

- (a) 498,111,048 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 48,314,342 shares by Fanlight Investment Limited, 68,697 shares by Garford Nominees Limited, 20,669,686 shares by Karaganda Investments Inc., 65,035,449 shares by Nippomo Limited, 1,863,526 shares by Orient Creation Limited, 131,457,316 shares by Strathallan Investment Limited, 5,653,298 shares by Strong Investments Limited, 195,210,718 shares by Tamworth Investment Limited and 29,838,016 shares by Transpire Investment Limited;*
- (b) 2,237,553 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 72.03% control; and*
- (c) 48,512,573 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.

Directors' interests (Continued)

Save as disclosed above, as at 30th June, 2022, none of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option schemes

The Company and its subsidiaries have no share option schemes.

Arrangement to purchase shares or debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in competing businesses

Pursuant to Rule 8.10(2) of the Listing Rules, the Company discloses that during the year, the following Directors held share interests and/or directorships in companies engaged in businesses which compete or likely to compete, either directly or indirectly, with the businesses of the Group:

Mr. Robert Ng Chee Siong and Mr. Daryl Ng Win Kong held share interests and/or directorships in companies of the Ng Family (including Mr. Robert Ng Chee Siong, Mr. Philip Ng Chee Tat, and as co-executors of the estate of the late Mr. Ng Teng Fong and/or their respective associates) which engage in business of hotel operation.

The Honourable Ronald Joseph Arculli is a Non-Executive Director of HKR International Limited, which engages in business of hotel operation.

The Board of Directors of the Company is independent of the boards of the aforesaid companies and maintains three Independent Non-Executive Directors. Coupled with the diligence of the Independent Non-Executive Directors and the Audit Committee of the Company, the Group operates its businesses independently of, and at arm's length from, the businesses of the aforesaid companies.

Directors' material interests in transactions, arrangements or contracts

Apart from the transactions disclosed under the heading "Related party disclosures" as set out in Note 29 to the consolidated financial statements, there were 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.

Management contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

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, which remains in force.

Service contracts

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

Connected transactions

Continuing connected transactions for the year ended 30th June, 2022

The Company announced on 26th July, 2019 that Bright Tower (HK) Limited ("Bright Tower"), a wholly-owned subsidiary of the Company, was awarded on 26th July, 2019 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, 2019 to 31st July, 2021.

Applicable particulars of such Contract together with the total amount received in respect of the transaction for the year ended 30th June, 2022 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 for the year ended 30th June, 2022
<p><b style="color: #E67E22;">Service provider Bright Tower</p>	<p>Provision of management services by</p>	<p>HK\$450,000 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</p>	<p>HK\$450,000 for the period from 1st July, 2021 to 31st July, 2021 (i.e. HK\$450,000 x 1 month)</p>	<p>HK\$450,000</p>
<p><b style="color: #E67E22;">Service recipient 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</p>	<p>Bright Tower to the clubhouse of Pacific Palisades</p>			

Directors' report (Continued)

Connected transactions (Continued)

Continuing connected transactions for the year ended 30th June, 2022 (Continued)

The Company further announced on 22nd July, 2021 that a new clubhouse management contract ("New Contract") was awarded on 22nd July, 2021 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, 2021 to 31st July, 2023 at a monthly service fee of HK\$400,000 from 1st August, 2021 to 31st July, 2022 and HK\$420,000 from 1st August, 2022 to 31st July, 2023.

Applicable particulars of such New Contract together with the total amount received in respect of the transaction for the year ended 30th June, 2022 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 for the year ended 30th June, 2022
Service provider Bright Tower	Provision of management services by	(i) HK\$400,000 payable monthly from 1st August, 2021 to 31st July, 2022; and	(i) HK\$4,400,000 for the period from 1st August, 2021 to 30th June, 2022 (i.e. HK\$400,000 x 11 months)	HK\$4,400,000
Service recipient 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	Bright Tower to the clubhouse of Pacific Palisades	(ii) HK\$420,000 payable monthly from 1st August, 2022 to 31st July, 2023	(ii) HK\$5,020,000 for the period from 1st July, 2022 to 30th June, 2023 (i.e. HK\$400,000 x 1 month + HK\$420,000 x 11 months)	
		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	(iii) HK\$420,000 for the period from 1st July, 2023 to 31st July, 2023 (i.e. HK\$420,000 x 1 month)	

Connected transactions (Continued)

Continuing connected transactions for the year ended 30th June, 2022 (Continued)

Boatswain Enterprises Limited ("Boatswain") and its wholly-owned subsidiary, Beverhill Limited ("Beverhill"), being controlled by 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), 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. Accordingly, 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.

During the year, the above continuing connected transactions were carried out according to 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 of the Company.

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 (Revised) "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 29 to the consolidated financial statements.

Directors' report (Continued)

Substantial shareholders' and other shareholders' interests

As at 30th June, 2022, 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	550,085,966 (Notes 1, 2, 3, 4 and 5)	Interest of controlled corporation in 3,278,907 shares and trustee interest in 546,807,059 shares in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.31%
Tamworth Investment Limited	178,150,243 (Notes 3 and 5)	Beneficial owner	17.04%
Strathallan Investment Limited	119,968,581 (Notes 3 and 5)	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 (Notes 3 and 5)	Beneficial owner	5.67%

Notes:

- 3,278,907 shares were held by Far East Ventures Pte. Ltd. which was 100% controlled by Mr. Philip Ng Chee Tat.
- The trustee interest in 546,807,059 shares comprises:
 - 496,246,865 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 48,133,525 shares by Fanlight Investment Limited, 68,440 shares by Garford Nominees Limited, 20,592,331 shares by Karaganda Investments Inc., 64,792,053 shares by Nippomo Limited, 1,856,552 shares by Orient Creation Limited, 130,965,336 shares by Strathallan Investment Limited, 5,632,141 shares by Strong Investments Limited, 194,480,140 shares by Tamworth Investment Limited and 29,726,347 shares by Transpire Investment Limited;
 - 2,229,180 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 72.03% control; and
 - 48,331,014 shares which were held by the co-executors of the estate of the late Mr. Ng Teng Fong.
- 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.
- 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.
- The number and the percentage of shares as disclosed are based on the substantial shareholder notices filed with the Stock Exchange.

Substantial shareholders' and other shareholders' interests (Continued)

Save as disclosed above and so far as the Directors of the Company are aware, as at 30th June, 2022, 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.

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 revenue from a single customer accounted for approximately 68% of the Group's total revenue for the year as a result of the Bulk Hiring Arrangement effective 1st August, 2020 as mentioned in the Chairman's Statement on page 3. The aggregate amount of revenue attributable to the Group's five largest customers accounted for approximately 74% of the Group's total revenue for the year.

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

During the year, Mr. Robert Ng Chee Siong, a Director of the Company, had a controlling interest in three of the five largest customers of the Group and all the three related transactions with these customers are disclosed in Note 29(a) to the consolidated financial statements, which in aggregate accounted for approximately 5% of the Group's total revenue.

Retirement benefit scheme

Details of the Group's retirement benefit scheme are set out in Note 33 to the consolidated financial statements.

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 25 to 42 of this Annual Report.

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

Messrs. Deloitte Touche Tohmatsu ("Deloitte") retired as auditor of the Company at the conclusion of the Company's annual general meeting held on 27th October, 2021 ("2021 AGM"). Messrs. KPMG ("KPMG") have been appointed as new auditor of the Company at the 2021 AGM upon the retirement of Deloitte.

The consolidated financial statements for the year ended 30th June, 2022 of the Group have been audited by KPMG. At the forthcoming annual general meeting, KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint KPMG as auditor of the Company.

On behalf of the Board
Robert NG Chee Siong
Chairman

Hong Kong, 25th August, 2022

Biographical details of Directors & senior management

(I) Executive Directors

Mr. Robert Ng Chee Siong^{N+}, aged 70,

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 the Executive Vice President and Vice Chairman 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, SBS, JP, aged 44,

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. He is Honorary Fellow of The Hong Kong University of Science and Technology and Hong Kong Metropolitan University. 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 the Chairman, 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 President of Hong Kong United Youth Association, a Council Member of the Hong Kong Committee for UNICEF, a Council Member of The Hong Kong Management Association, an Advisor of Our Hong Kong Foundation, a Council Member of Hong Kong Chronicles Institute Limited, a Council Member of the Employers' Federation of Hong Kong, a member of the Board of Hong Kong Science and Technology Parks Corporation, the Chairman of Greater Bay Area Homeland Youth Community Foundation Limited and a Member of the Board of Mind Mental Health Hong Kong Limited. Mr. Ng's major public service appointments include being a member of the Estate Agents Authority of the Government of Hong Kong Special Administrative Region, a member of the Council of the University of Hong Kong, a member of NUS Medicine International Council at the Yong Loo Lin School of Medicine of National University of Singapore, a member of International Advisory Council of Singapore Management University, a member of the Board of M Plus Museum Limited, a Board Member of National Heritage Board, Singapore and a member of the Cyberport Advisory Panel of Hong Kong Cyberport Management Company Limited. 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. Thomas Tang Wing Yung, aged 67, an Executive Director and Group Chief Financial Officer of the Company with effect from 15th January, 2020. He holds directorship in an associated company of the Company, and has also been appointed as an Executive Director and Group Chief Financial Officer of Sino Land Company Limited on 15th January, 2020. Mr. Tang obtained his Bachelor of Science Degree in Modern Mathematics from Surrey University, United Kingdom. He has been an Associate Member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a Fellow Member of The Hong Kong Institute of Certified Public Accountants and has over 41 years of experience in accounting and finance.

Prior to joining the Company, Mr. Tang was an Executive Director and Group Chief Financial Officer of Esprit Holdings Limited and he is currently an Independent Non-Executive Director of Playmates Holdings Limited, both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Tang was an Executive Director and the Chief Financial Officer of the Company for the period from 30th August, 2004 to 26th March, 2012.

(II) Non-Executive Directors

The Honourable Ronald Joseph Arculli,

GBM, CVO, GBS, OBE, JP, aged 83,

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 the Honorary Advisory Committee of SVHK Foundation Limited and Common Purpose Charitable Foundation Limited in Hong Kong, and the Adviser to Chair of Hang Lung Properties Limited. 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 a Non-Executive Director of 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). He was formerly an Independent Non-Executive Director of Hang Lung Properties Limited and a Non-Executive Director of HKR International Limited.

Mr. Gilbert Lui Wing Kwong^A, aged 84,

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. Steven Ong Kay Eng^{A+ N R+}, aged 76, 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 also a Non-Executive Independent Director of EnGro Corporation Limited, an Independent & Non-executive Director of Yeo Hiap Seng Limited and a substantial shareholder of Hwa Hong Corporation Limited, all 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.

Mr. Wong Cho Bau, JP, aged 63, 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., Greater Bay Airlines Co., Ltd., Donghai Airlines Co., Ltd., Donghai Jet Co., Ltd.. Mr. Wong has more than 40 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. 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 Chief Director of Hong Kong Federation of Hong Kong Chiu Chow Community Organization.

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

(III) Independent Non-Executive Directors (Continued)

Mr. Hung Wai Man^{A N R}, JP, aged 53,

an Independent Non-Executive Director since January 2019, is the Hong Kong Deputy to 13th National People's Congress (NPC) and Principal Liaison Officer for Hong Kong, Shenzhen Qianhai Authority. He is the Executive Chairman of Chinese Big Data Society, Vice Chairman of the Monte Jade Science and Technology Association of Hong Kong, Vice Chairman of Hong Kong Industry University Research Collaboration Association and Hainan University Belt and Road Research Institute. Mr. Hung is a Member of the Chinese Association of Hong Kong and Macau Studies, Vice President of Guangdong's Association For Promotion of Cooperation between Guangdong, Hong Kong and Macao, Chairman of Hong Kong Road Safety Association, Chairman Emeritus of the Y.Elites Association, Vice President and Secretary General of Hong Kong-ASEAN Economic Cooperation Foundation, Vice President of Hong Kong Youths Unified Association, Director of Hong Kong PHAB Association, Council Member of Hong Kong Professionals and Senior Executives Association, Council Member of Smart City Consortium Limited, Academic Committee Member of China Silk Road iValley Research Institute, External Member of the Departmental Advisory Committee on Applied Mathematics of The Hong Kong Polytechnic University, Member of advisory board on Business Studies of Lingnan University, Member of Advisory Committee of Bachelor of Management Science and Information Management of The Hang Seng University of Hong Kong, and Member of the Advisory Committee of the Division of Business and Management of Beijing Normal University-Hong Kong Baptist University United International College, etc. In 2012 to 2014, he had served as an associate member of the Central Policy Unit of the Government of Hong Kong Special Administrative Region. He was the 11th Standing Member of the All China Youth Federation.

Mr. Hung is a seasoned ICT professional and an angel investor. He has worked in the computer industry for 35 years. A well-known figure in the industry, Mr. Hung has extensive experience in management consulting, project management and outsourcing services. He is a Chartered Information Technology Professional and a fellow of the British Computer Society, the Hong Kong Institute of Directors, the Hong Kong Computer Society and the Internet Professional Association. He has been appointed as the Global Council Member by the World Summit Awards. Mr. Hung also serves as an Independent Non-Executive Director of LH Group Limited and Sprocomm Intelligence Limited, which are listed on the main board of the Hong Kong Stock Exchange. He was formerly an Independent Non-Executive Director of Hsin Chong Group Holdings Limited and VSTECS Holdings Limited, which are listed on the main board of the Hong Kong Stock Exchange. Mr. Hung holds a Higher Diploma in Mathematics, Statistics and Computing from the Hong Kong Polytechnic, a Bachelor of Arts Degree in Business Administration from the University of Bolton, a Master Degree of Business Administration from the University of Hull and a Master of Arts Degree in Public and Comparative History from the Chinese University of Hong Kong. He also obtained a Master of Laws and a Doctor of Laws from the Renmin University of China, a Master of Public Administration from Tsinghua University, a Master of Business Administration (Executive) from City University of Hong Kong and a Doctor of Philosophy Degree in Business Administration from Bulacan State University, the Philippines.

(IV) Senior management

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

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

Independent auditor's report



TO THE SHAREHOLDERS OF SINO HOTELS (HOLDINGS) LIMITED

(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 (the “Group”) set out on pages 66 to 131, which comprise the consolidated statement of financial position as at 30th June, 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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, 2022 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 (“HKSA”) 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”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 period. 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.

Key audit matter (Continued)

Impairment assessment of hotel properties

Refer to Notes 3(b), 15 and 16 to the consolidated financial statements.

The Key Audit Matter

The Group owns interests in various hotel properties in Hong Kong either directly or through its investments in associates. These hotel properties, which are stated at cost less accumulated depreciation and impairment losses, are significant to the Group in terms of their values.

At the end of the reporting period, management assesses if there are any indications of potential impairment of hotel properties. In such cases, management assesses the recoverability of the carrying value of hotel properties based on valuations prepared by an external property valuer in accordance with recognised industry standards.

The valuation of hotel properties is complex and involves a significant degree of judgement and estimation in respect of occupancy rates, revenue per available room, future growth rates and discount rates.

We identified assessing the recoverability of the carrying value of hotel properties as a key audit matter because of the complexity of the valuations and because of the significant judgement and estimation required.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of the carrying value of hotel properties, owned by the Group and its associates, included the following:

- evaluating triggering events and/or indicators of potential impairment of hotel properties identified by management;
- where such triggering events or indications were determined to exist:
 - o inspecting the cash flow forecasts and meeting selected external property valuer, independent of management, to discuss the valuations and assess the valuation methodology applied with reference to the prevailing accounting standards, and considering the valuer's qualifications, expertise in the properties being valued and objectivity;
 - o with the assistance of our property valuation specialists, challenging the key estimates and assumptions adopted in the valuations, including occupancy rates, revenue per available room, future growth rates and the discount rates applied, by comparing with market available data and the current year's operating results; and
 - o performing sensitivity analyses by making adjustments to the key estimates and assumptions to assess the risk of possible management bias in the valuation exercise.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

Independent auditor's report (Continued)

Information other than the consolidated financial statements and auditor's report thereon (Continued)

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 for the consolidated financial statements

The directors 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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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. This report is made solely to you, as a body, 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism 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.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 this independent auditor's report is Chan Tsz Kei.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

25th August, 2022

Consolidated statement of profit or loss

For the year ended 30th June, 2022

	<i>Notes</i>	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Revenue	5	128,809,067	112,365,574
Direct expenses		<u>(56,246,614)</u>	<u>(55,775,108)</u>
Gross profit		72,562,453	56,590,466
Other income and other gains and losses	9	(18,553,783)	11,986,170
Other expenses		(64,928,113)	(66,143,860)
Marketing costs		(120,789)	(2,416,971)
Administrative expenses		(20,424,656)	(23,051,053)
Finance income	7	4,147,446	8,653,421
Finance costs	8	(19,355)	(25,806)
Finance income, net		4,128,091	8,627,615
Share of results of associates		<u>(64,803,721)</u>	<u>(84,252,409)</u>
Loss before taxation	9	(92,140,518)	(98,660,042)
Income tax (expense)/credit	10	<u>(277,513)</u>	<u>3,325,150</u>
Loss for the year attributable to the Company's shareholders		<u>(92,418,031)</u>	<u>(95,334,892)</u>
Loss per share – basic	14	<u>(8.09) cents</u>	<u>(8.34) cents</u>

The notes on pages 72 to 131 form part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30th June, 2022

	2022 HK\$	2021 HK\$
Loss for the year	<u>(92,418,031)</u>	<u>(95,334,892)</u>
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
(Loss)/gain on fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")	(89,827,667)	101,031,021
Exchange difference arising on translation of equity instruments at FVTOCI	1,749,600	326,228
<i>Item that may be reclassified subsequently to profit or loss:</i>		
(Loss)/gain on fair value changes of debt instrument at FVTOCI	(4,207,360)	21,050
Reclassified to profit or loss for the derecognition of debt instrument at FVTOCI	<u>(31,280)</u>	<u>–</u>
Other comprehensive income for the year	<u>(92,316,707)</u>	<u>101,378,299</u>
Total comprehensive income for the year attributable to the Company's shareholders	<u>(184,734,738)</u>	<u>6,043,407</u>

The notes on pages 72 to 131 form part of these consolidated financial statements.

Consolidated statement of financial position

At 30th June, 2022

	<i>Notes</i>	2022 <i>HK\$</i>	2021 <i>HK\$</i>
NON-CURRENT ASSETS			
Property, plant and equipment	15	276,716,500	294,783,791
Right-of-use assets	16	935,005,989	957,283,133
Interests in associates	17	965,192,773	1,029,996,494
Amount due from an associate	20	180,245,562	115,176,448
Financial instruments	18	993,453,206	1,020,150,541
Deposits paid for property, plant and equipment		334,907	1,106,437
		<u>3,350,948,937</u>	<u>3,418,496,844</u>
CURRENT ASSETS			
Hotel inventories		177,165	250,097
Trade and other receivables	19	15,161,493	9,907,707
Amounts due from associates	20	1,023,718	1,006,773
Financial instruments	18	–	3,141,502
Time deposits, bank balances and cash	21	839,030,400	954,452,848
		<u>855,392,776</u>	<u>968,758,927</u>
CURRENT LIABILITIES			
Trade and other payables	22	13,253,819	9,052,267
Lease liabilities	23	–	60,516
Amount due to an associate	25	1,267,593	1,446,835
Taxation payable		197,118	338,232
		<u>14,718,530</u>	<u>10,897,850</u>
NET CURRENT ASSETS		<u>840,674,246</u>	<u>957,861,077</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,191,623,183</u>	<u>4,376,357,921</u>
CAPITAL AND RESERVES			
Share capital	24	1,142,661,798	1,142,661,798
Reserves		3,048,961,385	3,233,696,123
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		<u>4,191,623,183</u>	<u>4,376,357,921</u>

The consolidated financial statements on pages 66 to 131 were approved and authorised for issue by the Board of Directors on 25th August, 2022 and are signed on its behalf by:

Robert NG Chee Siong
Chairman

Daryl NG Win Kong
Deputy Chairman

The notes on pages 72 to 131 form part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30th June, 2022

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 2020	1,142,661,798	677,263,627	(136,477,908)	552,191,869	2,134,675,128	4,370,314,514
Loss for the year	-	-	-	-	(95,334,892)	(95,334,892)
Gain on fair value changes of equity instruments at FVTOCI	-	-	101,031,021	-	-	101,031,021
Exchange difference arising on translation of equity instruments at FVTOCI	-	-	326,228	-	-	326,228
Gain on fair value changes of debt instrument at FVTOCI	-	-	21,050	-	-	21,050
Other comprehensive income for the year	-	-	101,378,299	-	-	101,378,299
Total comprehensive income for the year	-	-	101,378,299	-	(95,334,892)	6,043,407
At 30th June, 2021	1,142,661,798	677,263,627	(35,099,609)	552,191,869	2,039,340,236	4,376,357,921
Loss for the year	-	-	-	-	(92,418,031)	(92,418,031)
Loss on fair value changes of equity instruments at FVTOCI	-	-	(89,827,667)	-	-	(89,827,667)
Exchange difference arising on translation of equity instruments at FVTOCI	-	-	1,749,600	-	-	1,749,600
Loss on fair value changes of debt instrument at FVTOCI	-	-	(4,207,360)	-	-	(4,207,360)
Reclassified to profit or loss for the derecognition of debt instrument at FVTOCI	-	-	(31,280)	-	-	(31,280)
Other comprehensive income for the year	-	-	(92,316,707)	-	-	(92,316,707)
Total comprehensive income for the year	-	-	(92,316,707)	-	(92,418,031)	(184,734,738)
At 30th June, 2022	1,142,661,798	677,263,627	(127,416,316)	552,191,869	1,946,922,205	4,191,623,183

The notes on pages 72 to 131 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30th June, 2022

	2022 HK\$	2021 HK\$
OPERATING ACTIVITIES		
Loss before taxation	(92,140,518)	(98,660,042)
Adjustments for:		
Share of results of associates	64,803,721	84,252,409
Dividend income from financial instruments	(23,428,290)	(22,365,277)
Interest revenue from debt instrument at FVTOCI	(2,677,901)	(193,972)
Depreciation of right-of-use assets	22,277,144	22,544,828
Depreciation and amortisation of property, plant and equipment	21,021,994	22,962,645
Finance income	(4,147,446)	(8,653,421)
Finance costs	19,355	25,806
(Gain)/loss on disposal of property, plant and equipment	(111,459)	16,034
Loss on fair value change of financial assets at fair value through profit or loss ("FVTPL")	11,200,000	–
Gain on derecognition of debt instrument at FVTOCI	(31,280)	–
Unrealised exchange loss	5,907,788	3,622,160
	<hr/>	<hr/>
Operating cash flows before movements in working capital	2,693,108	3,551,170
Decrease in hotel inventories	72,932	70,841
(Increase)/decrease in trade and other receivables	(3,486,795)	1,861,758
Increase/(decrease) in trade and other payables	3,419,012	(11,495,434)
Decrease in contract liabilities	–	(2,569,745)
	<hr/>	<hr/>
Cash from/(used in) operations	2,698,257	(8,581,410)
Hong Kong Profits Tax paid	(443,602)	(296,149)
Hong Kong Profits Tax refund	24,975	–
Dividends and interests received from financial instruments	24,419,751	23,330,097
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	26,699,381	14,452,538
INVESTING ACTIVITIES		
Interest received	4,066,895	15,014,479
Proceeds on disposal of property, plant and equipment	111,459	1,735
Additions to property, plant and equipment	(2,022,790)	(4,602,130)
Deposits paid for property, plant and equipment	(160,383)	(45,246)
Redemption of debt instrument at FVTOCI	3,119,200	–
Purchase of financial instruments	(76,765,790)	–
Repayment from associates	11,291,140	1,267,384
Advances to associates	(76,377,199)	(30,792,449)
Placement of time deposits with original maturity more than three months	(903,340,398)	(952,633,442)
Withdrawal of time deposits with original maturity more than three months	789,159,354	1,182,027,382
	<hr/>	<hr/>
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(250,918,512)	210,237,713

Consolidated statement of cash flows (Continued)

For the year ended 30th June, 2022

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
FINANCING ACTIVITIES		
Advance from an associate	6,546,053	9,209,890
Repayment to an associate	(6,725,295)	(12,703,980)
Advance from/(repayment to) a related company	782,540	(190,504)
Repayment of lease liabilities	(60,516)	(329,930)
Interest paid	(19,355)	(25,806)
	523,427	(4,040,330)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		
	(223,695,704)	220,649,921
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	295,463,316	74,813,395
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	71,767,612	295,463,316
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits	767,262,788	889,077,907
Bank balances and cash	71,767,612	65,374,941
	839,030,400	954,452,848
Less: Time deposits with original maturity more than three months	(767,262,788)	(658,989,532)
	71,767,612	295,463,316
Cash and cash equivalents in the consolidated statement of cash flows		

The notes on pages 72 to 131 form part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30th June, 2022

1. General information

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 the “Group”) are presented in Hong Kong dollars (“HK\$”), which is the same as 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 35.

2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1st July, 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, *Interest rate benchmark reform – phase 2*
HKFRS 7, HKFRS 4 and HKFRS 16

Amendments to HKFRS 16 *COVID-19-related rent concessions beyond 30th June, 2021*

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

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

Amendments to HKFRSs in issue but not yet effective

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the conceptual framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, plant and equipment: Proceeds before intended use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts – cost of fulfilling a contract</i>	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
HKFRS 17, <i>Insurance Contracts</i>	1 January 2023

The Directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies

(a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, 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, *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2, *Inventories* or value in use in HKAS 36, *Impairment of Assets*.

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.

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies

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.

When 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.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (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 in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation (hotel room revenue and other ancillary services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9, *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15, *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment including leasehold land 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.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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 and 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 on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets or the cash-generating unit to which the asset belongs have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

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.

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and other gains and losses"

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.

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Employee benefits

Retirement benefit cost

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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

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

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12, *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same tax authority.

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15.

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

A receivable is recognised when the company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest revenue/income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend income which is derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest revenue/income

Interest revenue/income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instrument subsequently measured at FVTOCI. Interest revenue/income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest revenue/income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest revenue/income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Debt instrument classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instrument classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of this debt instrument are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of this debt instrument. When this debt instrument is derecognised, the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain and loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains and losses recognised in profit or loss. The net gain and loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including debt instrument at FVTOCI, trade and other receivables, amounts due from associates, time deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest revenue/income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest revenue/income is calculated based on amortised cost of the financial asset.

Except for the investment in debt instrument that is measured at FVTOCI, the Group recognises an impairment gain and loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account. For investment in debt instrument that is measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investments revaluation reserve without reducing the carrying amount of this debt instrument. Such amount represents the changes in the investments revaluation reserve in relation to accumulated loss allowance.

Financial liabilities and equity

Classification as debt or equity

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

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 Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Financial liabilities

Financial liabilities (including trade and other payables and amount due to an associates) are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method. Unless the effect of discounting of trade and other payables are immaterial, in which case they are stated at invoice amounts.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

3. Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain and loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain and loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

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

Provisions and contingent liabilities

Provisions are recognised when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

4. Key source of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors 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 source of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Assessment of impairment of property, plant and equipment and right-of-use assets

The Group reviews the carrying amount of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered any impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of these assets are the higher of the asset's fair value less costs of disposal and value-in-use. These calculations involve estimates and cash flow projections generated from the hotel operation.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

5. Revenue

	2022 HK\$	2021 HK\$
Hotel operation		
– Room revenue	76,212,228	68,041,269
– Food and beverage sales	11,923,941	8,964,836
– Other ancillary services	819,276	1,228,804
	<u>88,955,445</u>	<u>78,234,909</u>
Club operation and hotel management	13,747,431	11,571,416
Dividend income from financial instrument	23,428,290	22,365,277
Interest revenue from debt instrument at FVTOCI	2,677,901	193,972
	<u>128,809,067</u>	<u>112,365,574</u>

City Garden Hotel remains under the Group's management, and entered into a two-year bulk hiring of hotel rooms and facilities arrangement (the "Arrangement") with a tenant effective 1st August, 2020 to optimise occupancy and to ensure a stable stream of income under the COVID-19 pandemic. Subsequent to the end of reporting period, a new lease agreement has been signed for a period of four years effective 1st August, 2022.

The total room charge of HK\$76,212,228 (2021: HK\$66,799,563) derived from the Arrangement in current year has been included in room revenue as above, comprising lease income of HK\$45,727,337 (2021: HK\$40,079,738) and room service revenue of HK\$30,484,891 (2021: HK\$26,719,825) for the purpose of separation of lease and non-lease component under HKFRS 16.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

5. Revenue (Continued)

	2022 HK\$	2021 HK\$
Disaggregation of revenue:		
Lease income under HKFRS 16		
– Room revenue	<u>45,727,337</u>	<u>40,079,738</u>
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised over time		
– Room revenue	30,484,891	27,961,531
– Club operation and hotel management	8,228,781	8,004,498
– Other ancillary services	<u>819,276</u>	<u>1,228,804</u>
	<u>39,532,948</u>	<u>37,194,833</u>
Recognised at a point in time		
– Hotel operation	11,923,941	8,964,836
– Club operation	<u>5,518,650</u>	<u>3,566,918</u>
	<u>17,442,591</u>	<u>12,531,754</u>
	<u>102,702,876</u>	<u>89,806,325</u>

Dividend income and interest revenue from financial instruments are recognised in accordance with HKFRS 9.

The revenue from hotel operation, club operation and hotel management are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group's revenue is originated from Hong Kong.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

6. Segment information

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

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

1. Hotel operation – City Garden Hotel
2. Investment holding – holding financial instruments
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

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	
	2022 HK\$	2021 HK\$	2022 HK\$	2021 HK\$
Hotel operation				
– City Garden Hotel	88,955,445	78,234,909	11,259,315	(4,481,717)
Investment holding	26,106,191	22,559,249	26,049,203	22,418,750
Hotel operation – share of results of associates	–	–	(26,368,234)	(65,852,397)
Others – club operation and hotel management	13,747,431	11,571,416	1,944,717	2,352,553
	128,809,067	112,365,574		
Total segment results			12,885,001	(45,562,811)
Other income and other gains and losses			(18,553,783)	11,986,170
Administrative and other expenses			(52,164,340)	(55,311,004)
Finance income, net			4,128,091	8,627,615
Share of results of associates				
– other income			4,775,500	18,483,199
– administrative and other expenses			(50,689,885)	(56,277,478)
– finance costs, net			(14,981)	(38,109)
– income tax credit			7,493,879	19,432,376
			(38,435,487)	(18,400,012)
Loss before taxation			(92,140,518)	(98,660,042)

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

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

6. Segment information (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the results by each segment without allocation of certain administrative and other expenses, other income and other gains and losses, 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' other income, administrative and other expenses, finance costs net of finance income and income tax credit of the associates. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

	2022 HK\$	2021 HK\$
Segment assets		
Hotel operation – City Garden Hotel	1,221,573,855	1,260,013,359
Investment holding	995,206,520	1,023,403,845
Hotel operation – interests in associates	965,192,773	1,029,996,494
Others – club operation and hotel management	1,476,155	742,389
	<hr/>	<hr/>
Total segment assets	3,183,449,303	3,314,156,087
Amounts due from associates	181,269,280	116,183,221
Unallocated assets	841,623,130	956,916,463
	<hr/>	<hr/>
Consolidated assets	4,206,341,713	4,387,255,771
	<hr/>	<hr/>
Segment liabilities		
Hotel operation – City Garden Hotel	10,132,208	6,326,827
Investment holding	15,270	15,301
Others – club operation and hotel management	1,203,123	1,036,145
	<hr/>	<hr/>
Total segment liabilities	11,350,601	7,378,273
Amount due to an associate	1,267,593	1,446,835
Unallocated liabilities	2,100,336	2,072,742
	<hr/>	<hr/>
Consolidated liabilities	14,718,530	10,897,850
	<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, certain other receivables, 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, certain other payables, taxation payable and deferred taxation.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

6. Segment information (Continued)

Other segment information

	Addition to non-current assets (Note)	
	2022 HK\$	2021 HK\$
Amounts included in the measure of segment assets:		
Hotel operation – City Garden Hotel	2,805,331	5,217,730
Others – club operation and hotel management	149,372	9,400
	<u>2,954,703</u>	<u>5,227,130</u>

	Depreciation and amortisation of property, plant and equipment and right-of-use assets		(Gain)/loss on disposal of property, plant and equipment	
	2022 HK\$	2021 HK\$	2022 HK\$	2021 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	43,257,425	45,468,298	(111,459)	16,034
Others – club operation and hotel management	41,713	39,175	–	–
	<u>43,299,138</u>	<u>45,507,473</u>	<u>(111,459)</u>	<u>16,034</u>

Note: Non-current assets include property, plant and equipment and right-of-use assets.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

6. Segment information (Continued)

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/(loss incurred) for both years are derived from Hong Kong. All the assets of the Group are located in Hong Kong.

Information about major customers

The revenue from a single customer accounted for approximately 68% (2021: 65%) of the total revenue from hotel operation of the Group as a result of the Arrangement effective 1st August, 2020 as mentioned in Note 5.

7. Finance income

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

8. Finance costs

	2022 HK\$	2021 HK\$
Interest on amount due to a related company (Note 29(b))	17,405	13,100
Interest on lease liabilities	1,950	12,706
	<u>19,355</u>	<u>25,806</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

9. Loss before taxation

	2022 HK\$	2021 HK\$
Loss before taxation has been arrived at after charging/(crediting):		
Directors' emoluments (Note 11)	1,156,300	1,168,000
Other staff costs	54,063,842	59,677,879
Contributions to retirement benefit scheme (other than Directors) (Note 33)	2,108,222	2,436,165
Total staff costs	<u>57,328,364</u>	<u>63,282,044</u>
Auditor's remuneration		
– audit services	350,000	484,250
– non-audit services	270,000	385,000
	<u>620,000</u>	<u>869,250</u>
Other income and other gains and losses		
(Gain)/loss on disposal of property, plant and equipment	(111,459)	16,034
Exchange loss/(gain)	10,382,856	(10,021,492)
Government subsidies (Note)	(2,886,334)	(1,980,712)
Gain on derecognition of debt instrument at FVTOCI	(31,280)	–
Loss on fair value change of financial asset at FVTPL	11,200,000	–
	<u>18,553,783</u>	<u>(11,986,170)</u>
Cost of hotel inventories consumed *	10,884,012	6,126,063
Depreciation of right-of-use assets #	22,277,144	22,544,828
Depreciation and amortisation of property, plant and equipment #	21,021,994	22,962,645
Repairs and maintenance in respect of hotel properties #	3,263,270	3,425,610
Share of income tax credit of associates	<u>(7,493,879)</u>	<u>(19,432,376)</u>

* included in direct expenses

included in other expenses

Note: These represent subsidies under the Anti-Epidemic Fund of the Government of Hong Kong Special Administrative Region.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

10. Income tax expense/(credit)

	2022 HK\$	2021 HK\$
Income tax expense/(credit) comprises:		
Hong Kong Profits Tax		
Current year	327,539	346,932
Over-provision in prior year	<u>(50,026)</u>	<u>(39,630)</u>
	<u>277,513</u>	<u>307,302</u>
Deferred taxation (Note 26)	<u>–</u>	<u>(3,632,452)</u>
	<u>277,513</u>	<u>(3,325,150)</u>

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

	2022 HK\$	2021 HK\$
Loss before taxation	<u>(92,140,518)</u>	<u>(98,660,042)</u>
Tax charge at Hong Kong Profits Tax rate (Note)	(15,203,185)	(16,278,907)
Tax effect of results attributable to associates	10,692,614	13,901,647
Tax effect of expenses not deductible for tax purpose	8,060,052	4,554,933
Tax effect of income not taxable for tax purpose	(5,493,662)	(7,187,938)
Tax effect of tax losses not recognised	2,271,720	1,724,745
Over-provision in prior year	<u>(50,026)</u>	<u>(39,630)</u>
Income tax expense/(credit) for the year	<u>277,513</u>	<u>(3,325,150)</u>

Note:

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Group considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

11. Directors' and Chairman's emoluments

The emoluments paid or payable to each of the nine (2021: 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 include:

	2022					2021				
	Fee	Other emoluments			Total	Fee	Other emoluments			Total
		Contributions					Contributions			
		Salaries and other benefits	to retirement benefit scheme	Discretionary bonus (Note i)			Salaries and other benefits	to retirement benefit scheme	Discretionary bonus (Note i)	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Executive Directors:										
Mr. Robert Ng Chee Siong (Note ii)	-	-	-	-	-	-	-	-	-	-
Mr. Daryl Ng Win Kong	10,000	-	-	-	10,000	10,000	-	-	-	10,000
Mr. Giovanni Viterale (Note vi)	8,100	-	-	-	8,100	18,000	-	-	-	18,000
Mr. Thomas Tang Wing Yung	16,200	-	-	-	16,200	18,000	-	-	-	18,000
	<u>34,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,300</u>	<u>46,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,000</u>
Non-Executive Directors:										
The Honourable Ronald Joseph Arculli (Notes iii & iv)	150,000	-	-	-	150,000	150,000	-	-	-	150,000
Mr. Gilbert Lui Wing Kwong (Note iv)	234,000	-	-	-	234,000	234,000	-	-	-	234,000
	<u>384,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,000</u>	<u>384,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,000</u>
Independent Non-Executive Directors:										
Mr. Steven Ong Kay Eng	294,000	-	-	-	294,000	294,000	-	-	-	294,000
Mr. Wong Cho Bau (Note v)	150,000	-	-	-	150,000	150,000	-	-	-	150,000
Mr. Hung Wai Man	294,000	-	-	-	294,000	294,000	-	-	-	294,000
	<u>738,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>738,000</u>	<u>738,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>738,000</u>
	<u>1,156,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,156,300</u>	<u>1,168,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,168,000</u>

Mr. Robert Ng Chee Siong and Mr. Daryl Ng Win Kong waived their directors' fees of HK\$52,600 and HK\$46,200 respectively for the year ended 30th June, 2022 (2021: HK\$58,000 and HK\$48,000 respectively).

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) *During the year, a consultancy fee of HK\$416,666 (2021: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli is the sole proprietor.*
- (iv) *The Honourable Ronald Joseph Arculli and Mr. Gilbert Lui Wing Kwong retired by rotation and were re-appointed as Non-Executive Directors of the Company on 27th October, 2021.*
- (v) *Mr. Wong Cho Bau retired by rotation and was re-appointed as an Independent Non-Executive Director of the Company on 27th October, 2021.*
- (vi) *Mr. Giovanni Viterale resigned as an Executive Director of the Company on 31st December, 2021.*
- (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.*

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

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:

	2022 HK\$	2021 HK\$
Salaries and other emoluments	4,067,348	4,047,191
Contributions to retirement benefit scheme	118,000	114,000
Discretionary bonus (Note)	329,848	–
	<u>4,515,196</u>	<u>4,161,191</u>

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

The emoluments were within the following bands:

	Number of individuals	
	2022	2021
Not exceeding HK\$1,000,000	4	4
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	–
	<u> </u>	<u> </u>

None of the five (2021: five) highest paid individuals waived any emoluments in both years.

During the year, no emoluments were paid by the Group or agreed to waive to the five (2021: five) highest paid individuals and Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. Save as mentioned in Note 11, no Director waived or agreed to waive any emoluments for both years.

13. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 30th June, 2022 (2021: nil). Total dividend for the year ended 30th June, 2022 is nil (2021: nil) as the Board also did not declare any interim dividend for both years.

14. Loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to the Company's shareholders of HK\$92,418,031 (2021: HK\$95,334,892) and on the weighted average number of 1,142,661,798 (2021: 1,142,661,798) shares in issue during the year.

No diluted loss 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, 2022

15. Property, plant and equipment

	Hotel building HK\$	Computer systems HK\$	Furniture, fixtures, equipment and hotel operating equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Total HK\$
Cost:						
At 1st July, 2020	339,100,271	12,397,031	115,401,231	166,077,773	1,505,013	634,481,319
Additions	–	1,904,164	1,587,442	1,735,524	–	5,227,130
Disposals	–	–	(1,306,426)	(61,400)	–	(1,367,826)
At 30th June, 2021	339,100,271	14,301,195	115,682,247	167,751,897	1,505,013	638,340,623
Additions	–	1,546,812	1,316,550	91,341	–	2,954,703
Disposals	–	–	(272,503)	–	(273,647)	(546,150)
At 30th June, 2022	339,100,271	15,848,007	116,726,294	167,843,238	1,231,366	640,749,176
Depreciation and amortisation						
At 1st July, 2020	124,266,835	8,803,620	95,167,170	92,346,784	1,359,835	321,944,244
Provided for the year	4,873,348	1,563,500	6,799,248	9,612,763	113,786	22,962,645
Eliminated on disposals	–	–	(1,304,007)	(46,050)	–	(1,350,057)
At 30th June, 2021	129,140,183	10,367,120	100,662,411	101,913,497	1,473,621	343,556,832
Provided for the year	4,873,348	1,681,241	5,642,033	8,793,980	31,392	21,021,994
Eliminated on disposals	–	–	(272,503)	–	(273,647)	(546,150)
At 30th June, 2022	134,013,531	12,048,361	106,031,941	110,707,477	1,231,366	364,032,676
Carrying amounts						
At 30th June, 2022	205,086,740	3,799,646	10,694,353	57,135,761	–	276,716,500
At 30th June, 2021	209,960,088	3,934,075	15,019,836	65,838,400	31,392	294,783,791

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

15. Property, plant and equipment (Continued)

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

Hotel building	Over the shorter of the term of the lease of the land upon which the building is situated, or 70 years
Computer systems	20%
Furniture, fixtures, equipment and hotel operating equipment	20%
Leasehold improvements	10% – 20%
Motor vehicles	20%

The hotel building is situated in Hong Kong.

Under the Arrangement as disclosed in Note 5, leasehold land, hotel building, furniture, fixtures, equipment, hotel operating equipment and leasehold improvements with an aggregate carrying amount of HK\$1,207,747,362 (2021: HK\$1,247,976,375) as at 30th June, 2022 were leased out under an operating lease for a period of two years.

The management of the Group has carried out impairment assessment on the hotel property included in the property, plant and equipment in this note, the related leasehold land included in the right-of-use assets (Note 16), and the Group's interest in associates which hold the hotel properties (Note 17), and determined the recoverable amounts with reference to the recent sales and purchase transactions price of hotel properties and/or valuation reports prepared by an independent professional valuer at the end of the reporting period. Based on the impairment assessment, no impairment is considered to be necessary for both years.

16. Right-of-use assets

	Leasehold land HK\$	Premises HK\$	Total HK\$
As at 30th June, 2022			
Carrying amount	<u>935,005,989</u>	<u>–</u>	<u>935,005,989</u>
As at 30th June, 2021			
Carrying amount	<u>957,223,953</u>	<u>59,180</u>	<u>957,283,133</u>
For the year ended 30th June, 2022			
Depreciation charge	<u>22,217,964</u>	<u>59,180</u>	<u>22,277,144</u>
For the year ended 30th June, 2021			
Depreciation charge	<u>22,217,964</u>	<u>326,864</u>	<u>22,544,828</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

16. Right-of-use assets (Continued)

	2022 HK\$	2021 HK\$
Total cash outflow for leases	<u>62,466</u>	<u>342,636</u>
Additions to right-of-use assets	<u>–</u>	<u>–</u>

The Group owns hotel properties for its operation. The Group is the registered owner of these property interest, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

In addition, the Group leases warehouses for its operations for both years. Lease contracts are entered into for fixed term of 1 year (2021: two years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 30th June, 2022 and 2021, lease liabilities are recognised with related right-of-use assets except for short-term lease or leases of low-value assets. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. Interests in associates

	2022 HK\$	2021 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 losses, net of dividends received	<u>(99,591,611)</u>	<u>(34,787,890)</u>
	<u>965,192,773</u>	<u>1,029,996,494</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

17. Interests in associates (Continued)

Details of the associates at 30th June, 2022 and 2021 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
				2022	2021	
<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 interest 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 (2021: HK\$186,513,404) arising on acquisition of an associate in prior years.

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.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

17. Interests in associates (Continued)

Bestown Property Limited

	2022 HK\$	2021 HK\$
Current assets	<u>123,551,157</u>	<u>24,833,980</u>
Non-current assets	<u>1,539,798,000</u>	<u>1,555,235,845</u>
Current liabilities	<u>(687,849,641)</u>	<u>(617,019,607)</u>
Non-current liabilities	<u>(110,903)</u>	<u>(1,130,466)</u>

	2022 HK\$	2021 HK\$
Revenue	<u>206,918,015</u>	<u>85,040,023</u>
Profit/(loss) and total comprehensive income for the year	<u>13,468,861</u>	<u>(70,811,866)</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:

	2022 HK\$	2021 HK\$
Net assets of Bestown Property Limited	975,388,613	961,919,752
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>243,847,153</u>	<u>240,479,938</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

17. Interests in associates (Continued)

Greenroll Limited

	2022 HK\$	2021 HK\$
Current assets	<u>71,129,000</u>	<u>96,158,000</u>
Non-current assets	<u>376,774,000</u>	<u>402,576,000</u>
Current liabilities	<u>(132,758,000)</u>	<u>(63,814,000)</u>
Non-current liabilities	<u>–</u>	<u>(122,000)</u>

	2022 HK\$	2021 HK\$
Revenue	<u>209,747,000</u>	<u>172,156,000</u>
Loss and total comprehensive income for the year	<u>(119,653,000)</u>	<u>(111,599,000)</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 Greenroll Limited recognised in the consolidated financial statements:

	2022 HK\$	2021 HK\$
Net assets of Greenroll Limited	315,145,000	434,798,000
Proportion of the Group's ownership interest in Greenroll Limited	<u>50%</u>	<u>50%</u>
Net assets of Greenroll Limited attributable to the Group	157,572,500	217,399,000
Consolidation adjustments including goodwill at Group level	<u>563,175,150</u>	<u>571,507,122</u>
Carrying amount of the Group's interest in Greenroll Limited	<u>720,747,650</u>	<u>788,906,122</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

17. Interests in associates (Continued)

Aggregate information of associates that are not individually material:

	2022 HK\$	2021 HK\$
The Group's share of loss and total comprehensive income for the year	<u>(12,464)</u>	<u>(24,508)</u>
Dividends received from associates during the year	<u>–</u>	<u>–</u>
Aggregate carrying amount of the Group's interests in these associates	<u>597,970</u>	<u>610,434</u>

18. Financial instruments

	2022 HK\$	2021 HK\$
Equity instruments at FVTOCI:		
Listed equity securities in Hong Kong	615,805,094	852,404,941
Listed perpetual bond in Hong Kong	<u>160,863,500</u>	<u>167,745,600</u>
	<u>776,668,594</u>	<u>1,020,150,541</u>
Debt instrument at FVTOCI:		
Listed debt security	<u>72,304,612</u>	<u>3,141,502</u>
Debt instrument at FVTPL:		
Listed debt security	<u>144,480,000</u>	<u>–</u>
	<u>993,453,206</u>	<u>1,023,292,043</u>
Analysed for financial reporting purpose as:		
Current assets	–	3,141,502
Non-current assets	<u>993,453,206</u>	<u>1,020,150,541</u>
	<u>993,453,206</u>	<u>1,023,292,043</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

18. Financial instruments (Continued)

The above listed investments at FVTOCI are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The listed equity securities were stated at fair values which have been determined by reference to closing prices quoted in the active markets.

In estimating the fair values of listed perpetual bond, the management of the Group assessed the valuation of financial instrument based on quoted market prices provided by financial institutions at the end of the reporting period.

As at 30th June, 2022, the Group held 84,828,218 (2021: 84,828,218) ordinary shares, representing approximately 5.14% (2021: 5.14%) equity interest in The Hongkong and Shanghai Hotels, Limited (the "HKSHL Shares"), a company whose shares (stock code: 45) are listed on the Main Board of the Stock Exchange and is principally engaged in the ownership and management of hotel, retail, commercial and residential properties in Asia, the United States of America and Europe.

The total cost of investment in HKSHL Shares was approximately HK\$702,510,000 (2021: HK\$702,510,000) and its fair value as at 30th June, 2022 was approximately HK\$612,460,000 (2021: HK\$693,046,000), representing approximately 14.6% (2021: 15.8%) of the total assets of the Group as at 30th June, 2022. The Group recorded an unrealised loss on fair value change of the HKSHL Shares of approximately HK\$80,586,000 (2021: unrealised gain of HK\$98,400,000) for the year ended 30th June, 2022. This significant investment is held for long term.

During the year ended 30th June, 2022 and 30th June, 2021, no scrip dividend was received by the Group.

Details of impairment assessment of debt instrument at FVTOCI are set out in Note 32.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

19. Trade and other receivables

At 30th June, 2022, included in trade and other receivables of the Group are trade receivables of HK\$3,477,786 (2021: HK\$2,296,635 net of allowance for credit losses). Trade debtors mainly comprise receivables from the operation of City Garden Hotel. For the payment terms of the Arrangement referred to in Note 5, the monthly room charge and other charges for each month shall be settled by the first day of that month in arrear. For the others, 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 following is an analysis of trade receivables by age based on the invoice dates and net of allowance for credit losses at the end of the reporting period:

	2022 HK\$	2021 HK\$
Trade receivables		
0 – 30 days	3,477,786	1,387,139
31 – 60 days	–	386,502
61 – 90 days	–	522,994
	<hr/>	<hr/>
	3,477,786	2,296,635
Other receivables	11,683,707	7,611,072
	<hr/>	<hr/>
	15,161,493	9,907,707

Before accepting any new customer, the Group assesses the potential customer's credit quality and assign a credit limit to that potential customer. Limits and scoring attributable to customers are reviewed periodically. 100% (2021: 30.2%) of the trade receivables are current and have good settlement repayment history. The Group has assessed the creditworthiness and historical default rates of these customers.

None of the Group's trade receivables at 30th June, 2022 (2021: debtors with a carrying amount of HK\$1,603,616) has past due at the end of the reporting period. Out of the past due balances as at 30th June, 2021, none of them has past due 90 days or more and is not considered in default because there has not been a significant change in credit quality. The Group did not hold any collateral over these balances. All trade receivables are due and payable when the invoice is issued.

Details of impairment assessment of trade and other receivables for the year ended 30th June, 2022 are set out in Note 32.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

20. Amounts due from associates

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

As at 30th June, 2022, an amount due from an associate of HK\$180,245,562 (2021: HK\$115,176,448) was classified as non-current asset as the Group does not expect to recover the amount within twelve months after the end of the reporting period.

21. Time deposits, bank balances and cash

Bank balances and time deposits carry interest rate at market rates ranging from 0.001% to 2.42% (2021: with interest rate at market rates ranging from 0.001% to 2.46%) per annum.

22. 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:

	2022 HK\$	2021 HK\$
Trade payables		
0 – 30 days	4,438,870	3,706,315
31 – 60 days	178,304	245,929
61 – 90 days	120,120	4,551
Over 90 days	379,941	31,210
	<hr/>	<hr/>
	5,117,235	3,988,005
Other payables	8,136,584	5,064,262
	<hr/>	<hr/>
	13,253,819	9,052,267
	<hr/>	<hr/>

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 directors' fees and staff salaries of approximately HK\$3,375,000 (2021: HK\$1,684,000).

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

23. Lease liabilities

	2022 HK\$	2021 HK\$
Lease liabilities payable:		
Within one year	—	60,516

The weighted average incremental borrowing rate applied to lease liabilities is 3.2% (2021: 3.2%).

24. Share capital

	Number of ordinary shares of HK\$1 each		Nominal value	
	2022	2021	2022 HK\$	2021 HK\$
Authorised:				
At the beginning and the end of the year	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued and fully paid:				
At the beginning and the end of the year	<u>1,142,661,798</u>	<u>1,142,661,798</u>	<u>1,142,661,798</u>	<u>1,142,661,798</u>

25. Amount due to an associate

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

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

26. Deferred taxation

The following are the major deferred tax (asset)/liability recognised and movements thereon during the current and prior reporting years:

	Tax losses <i>HK\$</i>	Accelerated tax depreciation <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2020	(2,059,802)	5,692,254	3,632,452
(Credited)/charged to profit or loss during the year (<i>Note 10</i>)	<u>(4,275,189)</u>	<u>642,737</u>	<u>(3,632,452)</u>
At 30th June, 2021	(6,334,991)	6,334,991	–
(Credited)/charged to profit or loss during the year (<i>Note 10</i>)	<u>(688,876)</u>	<u>688,876</u>	<u>–</u>
At 30th June, 2022	<u>(7,023,867)</u>	<u>7,023,867</u>	<u>–</u>

At 30th June, 2022, the Group had unused tax losses of approximately HK\$128,206,000 (2021: HK\$110,263,000) available for offset against future profits. Tax losses of approximately HK\$42,569,000 (2021: HK\$38,394,000) have been recognised as a deferred tax asset to offset deferred tax liability. No deferred tax asset has been recognised in respect of the remaining HK\$85,637,000 (2021: HK\$71,869,000) due to the uncertainty of future profit streams. The tax losses may be carried forward indefinitely.

27. Operating lease arrangements

The Group as lessor

Rental income earned during the year was HK\$46,383,978 (2021: HK\$40,778,938).

Undiscounted lease payments receivable on leases are as follows:

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Within one year	4,482,433	46,383,977
In the second year	<u>383,040</u>	<u>4,865,473</u>
	<u>4,865,473</u>	<u>51,249,450</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

28. Commitments

	2022 HK\$	2021 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>3,199,935</u>	<u>3,616,527</u>

29. Related party disclosures

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

	Notes	2022 HK\$	2021 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>(i)</i>	4,850,000	5,400,000
Hotel management fee income from an associate	<i>(ii) & (iii)</i>	980,000	980,000
Hotel management fee income from a related company	<i>(ii) & (iii)</i>	<u>950,000</u>	<u>950,000</u>

- (b) At the end of the reporting period, the Group had outstanding balances with related parties. Details of the amounts due from (to) associates are set out in Notes 20 and 25. In addition, included in trade and other payables (Note 22) is an unsecured, repayable on demand balance, and carried interest at 0.992% per annum (2021: 0.946% per annum), amounting to HK\$2,141,621 (2021: HK\$1,359,081), 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).

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

29. Related party disclosures (Continued)

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

	2022 HK\$	2021 HK\$
Short-term benefits	1,156,300	1,168,000
Retirement benefit scheme contributions	–	–
	<u>1,156,300</u>	<u>1,168,000</u>

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 (2021: 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:

- (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 53 to 55 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 party transactions also constitute exempted connected transactions under Chapter 14A of the Listing Rules.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

30. 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.

	Lease liabilities HK\$	Amount due to a related company (Note 29(b)) HK\$	Amount due to an associate HK\$	Total HK\$
At 1st July, 2020	390,446	1,549,585	4,940,925	6,880,956
Financing cash flows	(342,636)	(203,604)	(3,494,090)	(4,040,330)
Finance costs	12,706	13,100	–	25,806
At 30th June, 2021	60,516	1,359,081	1,446,835	2,866,432
Financing cash flows	(62,466)	765,135	(179,242)	523,427
Finance costs	1,950	17,405	–	19,355
At 30th June, 2022	–	2,141,621	1,267,593	3,409,214

31. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include lease liabilities, amount due to a related company and amount due to an associate, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As 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 issue and share buy-backs as well as the issue of new debt.

There has been no change in the Group's approach to capital risk management during the year.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

32. Financial instruments

Categories of financial instruments

	2022 HK\$	2021 HK\$
Financial assets		
Financial assets at amortised cost	1,031,111,827	1,076,020,693
Financial instruments	<u>993,453,206</u>	<u>1,023,292,043</u>
Financial liabilities		
Amortised cost	<u>9,349,386</u>	<u>7,770,100</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial instruments, amounts due from associates, time deposits, bank balances and cash, trade and other payables, amount due to an associate and lease liabilities.

Details of these financial instruments are disclosed in the 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 in 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 end of the reporting period had foreign currency exposures. The time deposits are mainly denominated in United States Dollars ("US\$"), 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:

	2022 HK\$	2021 HK\$
Australian Dollars	90,891,882	98,259,052
Great British Pound	24,473,131	27,445,057
US\$	<u>31,446,922</u>	<u>60,889,036</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

32. Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in HK\$ against the relevant foreign currencies. 5% (2021: 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% (2021: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where HK\$ is weakened by 5% (2021: 5%) against the relevant currencies. For a 5% (2021: 5%) strengthening of HK\$ against the relevant currencies, there would be an equal and opposite impact on the post-tax results, and the amounts below would be in negative.

	Post-tax results	
	2022 HK\$	2021 HK\$
Australian Dollars	4,544,594	4,912,953
Great British Pound	1,223,656	1,372,253

The Directors of the Company consider that the Group is exposed to minimal currency risk to US\$ as HK\$ is pegged with the US\$. Sensitivity on foreign currency risk is therefore not presented.

Interest rate risk

Bank balances at floating rates expose the Group to cash flow interest rate risk. Debt instrument at FVTOCI, lease liabilities and other payables 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, 2022

32. Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Price risk

The Group is exposed to price risk through its equity and debt instruments at FVTOCI and debt instrument at FVTPL. The Group's 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 by diversifying the relevant investment risks through appropriate asset allocation.

Price risk sensitivity analysis

The following tables show the sensitivity to price risk on the equity and debt instruments at FVTOCI at the end of the reporting period while all other variables were held constant. Sensitivity rate of 5% (2021: 5%) represents management's assessment of the reasonably possible change in the price of equity and debt instruments at FVTOCI.

	2022 HK\$	2021 HK\$
Increase/(decrease) in other comprehensive income		
– as a result of increase in the price of the equity and debt instruments at FVTOCI	42,448,660	51,007,527
– as a result of decrease in the price of the equity and debt instruments at FVTOCI	<u>(42,448,660)</u>	<u>(51,007,527)</u>

The following tables show the sensitivity to price risk on the debt instrument at FVTPL at the end of the reporting period while all other variables were held constant. Sensitivity rate of 5% (2021: 5%) represents management's assessment of the reasonably possible change in price of debt instrument at FVTPL.

	2022 HK\$	2021 HK\$
Increase/(decrease) in profit or loss		
– as a result of increase in the price of debt instrument at FVTPL	7,224,000	–
– as a result of decrease in the price debt instrument at FVTPL	<u>(7,224,000)</u>	<u>–</u>

32. Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 30th June, 2022, the Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to trade and other receivables, debt instrument at FVTOCI, amounts due from associates, time deposits and bank balances as stated in the consolidated statement of financial position.

Trade receivables

In order to minimise the credit risk, 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. In addition, the Group performs impairment assessment under ECL model on trade receivables individually. In this regard, the directors of the Company consider that the Group's credit risk is low.

Other receivables

With respect to credit risk arising from other receivables, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and/or in good financial condition and the Group assessed the ECL for other receivables to be insignificant and thus no loss allowance was recognised.

Debt instrument at FVTOCI

The Group only invests in debt security with low credit risk. The Group's debt instrument at FVTOCI comprises listed bond. During the years ended 30th June 2022 and 2021, ECL on debt instrument at FVTOCI was assessed to be negligible.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

32. Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other financial assets

With respect to credit risk arising from amounts due from associates, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty engages in hotel operation in Hong Kong and the underlying properties are of high quality. Accordingly, the Group does not expect to incur a significant loss for amounts due from associates.

The credit risks on time deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtors is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

32. Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other financial assets (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment.

	Notes	External credit rating	Internal Credit rating	12m ECL or lifetime ECL	Gross carrying amount	
					2022 HK\$	2021 HK\$
Debt instrument at FVTOCI						
Investment in debt security	18	N/A	Low risk	12m ECL	<u>72,304,612</u>	<u>3,141,502</u>
Financial assets at amortised cost						
Trade receivables	19	N/A	(Note 1)	Life time ECL	<u>3,477,786</u>	<u>2,296,635</u>
Interest receivables (included in other receivables)	19	A-AA-	N/A	12m ECL	<u>2,497,405</u>	<u>2,416,854</u>
Other receivables	19	N/A	Low risk	12m ECL	<u>4,836,956</u>	<u>671,135</u>
Amounts due from associates	20	N/A	Low risk	12m ECL	<u>181,269,280</u>	<u>116,183,221</u>
Time deposits and bank balances	21	A-AA-	N/A	12m ECL	<u>839,030,400</u>	<u>954,452,848</u>

Note:

(1) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The management of the Group determines the ECL on these items on an individual basis and considers that the ECL provision on trade receivables is not significant.

Other than the above concentration of credit risk on amounts due from associates and trade receivables, 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. After taking into account the factors including the customers' financial position and past history of making payments, the Group considers that the credit risks involved in trade receivables are relatively low.

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

32. Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The 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 with reference to 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\$
2022					
Trade and other payables	N/A	5,300,545	639,627	5,940,172	5,940,172
Trade and other payables (Note 29(b))	0.992	2,146,976	–	2,146,976	2,141,621
Amount due to an associate	N/A	1,267,593	–	1,267,593	1,267,593
		<u>8,715,114</u>	<u>639,627</u>	<u>9,354,741</u>	<u>9,349,386</u>

	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\$
2021					
Trade and other payables	N/A	4,645,523	318,661	4,964,184	4,964,184
Trade and other payables (Note 29(b))	0.946	1,362,322	–	1,362,322	1,359,081
Amount due to an associate	N/A	1,446,835	–	1,446,835	1,446,835
Lease liabilities	3.20	25,848	36,618	62,466	60,516
		<u>7,480,528</u>	<u>355,279</u>	<u>7,835,807</u>	<u>7,830,616</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

32. 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.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30.6.2022 HK\$	30.6.2021 HK\$		
Equity instrument at FVTOCI				
– Listed equity securities	615,805,094	852,404,941	Level 1	Quoted price from direct market comparable
– Listed perpetual bond	160,863,500	167,745,600	Level 2	Quoted market price provided by financial institution
Debt instrument at FVTOCI				
– Listed debt security	72,304,612	3,141,502	Level 2	Quoted market price provided by financial institution
Debt instrument at FVTPL				
– Listed debt security	144,480,000	–	Level 1	Quoted price from direct market comparable

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

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.

33. 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 rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total expenses recognised in profit or loss of HK\$2,108,222 (2021: HK\$2,436,165) 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, 2022

34. Financial information of the company

	2022 HK\$	2021 HK\$
Non-current assets		
Interests in subsidiaries	1,625,489,465	1,632,282,755
Investments in associates	1,219,475	1,219,475
Amount due from an associate	180,245,562	115,176,448
Amounts due from subsidiaries	<u>368,271,246</u>	<u>379,838,038</u>
	<u>2,175,225,748</u>	<u>2,128,516,716</u>
Current assets		
Other receivables and prepayments	252,113	289,979
Amounts due from subsidiaries	995,276,085	1,043,401,219
Amounts due from associates	393,749	387,968
Bank balances and cash	<u>25,543</u>	<u>28,330</u>
	<u>995,947,490</u>	<u>1,044,107,496</u>
Current liabilities		
Amounts due to subsidiaries	3,684,636	3,629,795
Other payables and accruals	<u>2,007,940</u>	<u>1,880,799</u>
	<u>5,692,576</u>	<u>5,510,594</u>
Net current assets	<u>990,254,914</u>	<u>1,038,596,902</u>
Total assets less current liabilities	<u>3,165,480,662</u>	<u>3,167,113,618</u>
Capital and reserves		
Share capital	1,142,661,798	1,142,661,798
Reserves (Note a)	<u>2,022,818,864</u>	<u>2,024,451,820</u>
	<u>3,165,480,662</u>	<u>3,167,113,618</u>

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

34. 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, 2020	677,263,627	843,281,669	504,973,585	2,025,518,881
Loss for the year	—	—	(1,067,061)	(1,067,061)
At 30th June, 2021	677,263,627	843,281,669	503,906,524	2,024,451,820
Loss for the year	—	—	(1,632,956)	(1,632,956)
At 30th June, 2022	<u>677,263,627</u>	<u>843,281,669</u>	<u>502,273,568</u>	<u>2,022,818,864</u>

Note: Under the Companies Law (2022 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 (2022 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, 2022

35. Particulars of principal subsidiaries

The following table lists the subsidiaries of the Company at 30th June, 2022 and 2021 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
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

Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2022

35. 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</i>				
Bosco Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Bright Tower (HK) Limited	Hong Kong	Ordinary HK\$2	100%	Club and café operations
China Asia Property Limited	Hong Kong	Ordinary HK\$2	100%	Hotel owner and operation
City Garden Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
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 and bond investments
Wellrich International Ltd.	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Share investment

None of the subsidiaries had issued any debt securities at 30th June, 2022 and 2021.

Financial summary

	Year ended 30th June,				
	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$	2018 HK\$
Results					
Revenue	128,809,067	112,365,574	160,737,356	320,653,237	313,669,026
Direct expenses	<u>(56,246,614)</u>	<u>(55,775,108)</u>	<u>(90,182,269)</u>	<u>(120,526,892)</u>	<u>(116,832,801)</u>
Gross profit	72,562,453	56,590,466	70,555,087	200,126,345	196,836,225
Other income and other gains and losses	(18,553,783)	11,986,170	(327,525)	(5,389,825)	(3,729,475)
Other expenses	(64,928,113)	(66,143,860)	(81,033,316)	(84,877,930)	(92,956,078)
Marketing costs	(120,789)	(2,416,971)	(8,630,948)	(11,026,014)	(10,790,527)
Administrative expenses	(20,424,656)	(23,051,053)	(29,338,354)	(33,878,241)	(29,451,681)
Finance income, net	4,128,091	8,627,615	24,507,034	25,029,320	16,793,682
Share of results of associates	<u>(64,803,721)</u>	<u>(84,252,409)</u>	<u>(51,714,202)</u>	<u>118,339,259</u>	<u>131,552,757</u>
(Loss)/profit before taxation	(92,140,518)	(98,660,042)	(75,982,224)	208,322,914	208,254,903
Income tax (expense)/credit	<u>(277,513)</u>	<u>3,325,150</u>	<u>(380,796)</u>	<u>(12,016,506)</u>	<u>(13,127,387)</u>
(Loss)/profit for the year	<u>(92,418,031)</u>	<u>(95,334,892)</u>	<u>(76,363,020)</u>	<u>196,306,408</u>	<u>195,127,516</u>
At 30th June,					
	2022 HK\$	2021 HK\$	2020 HK\$	2019 HK\$	2018 HK\$
Assets and liabilities					
Total assets	4,206,341,713	4,387,255,771	4,402,833,846	4,807,909,970	4,688,843,234
Total liabilities	<u>(14,718,530)</u>	<u>(10,897,850)</u>	<u>(32,519,332)</u>	<u>(55,799,331)</u>	<u>(52,118,140)</u>
Shareholders' equity	<u>4,191,623,183</u>	<u>4,376,357,921</u>	<u>4,370,314,514</u>	<u>4,752,110,639</u>	<u>4,636,725,094</u>

 **SINO HOTELS (HOLDINGS) LIMITED**

(An exempted company incorporated in the Cayman Islands with limited liability)

www.sino.com

