CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

2021 ANNUAL REPORT

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Sio Tak Hong *(Chairman)*
Chu Nin Yiu, Stephen *(Chief Executive Officer)*
Chu Nin Wai, David *(Deputy Chairman)*
Lau Chi Kan, Michael

Independent Non-Executive Directors

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

COMPANY SECRETARY

Cham Wing Yeung, Andrew

AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen
Cham Wing Yeung, Andrew

AUDIT COMMITTEE

Li Sze Kuen, Billy *(Chairman)*
Wong Kwong Fat
Leung Kam Fai

REMUNERATION COMMITTEE

Leung Kam Fai *(Chairman)*
Li Sze Kuen, Billy
Wong Kwong Fat
Chu Nin Yiu, Stephen

NOMINATION COMMITTEE

Wong Kwong Fat *(Chairman)*
Li Sze Kuen, Billy
Leung Kam Fai
Chu Nin Yiu, Stephen

LEGAL ADVISER

Reed Smith Richards Butler

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

Unit 1701, 17th Floor
YF Life Tower
33 Lockhart Road
Wan Chai, Hong Kong

STOCK CODE

193

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Capital Estate Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st July, 2021.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$712.0 million for the year ended 31st July, 2021 (2020: HK$317.6 million), which comprised gross proceeds from sales of properties of HK$109.9 million (2020: HK$66.6 million), hotel operations of HK$6.3 million (2020: HK$33.7 million) and sales of securities and other business segments totaling HK$595.8 million (2020: HK$217.3 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2021 was HK$34.1 million (2020: HK$29.5 million).

The increase in loss in the year ended 31st July, 2021 was mainly the net effect of (i) increase in revenue from sale of properties; (ii) decline in hotel revenue due to the Covid-19 pandemic; (iii) cost reduction measures taken by the hotel operation including decrease in head count; and (iv) decrease in fair value of the Group's financial investment portfolio.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31st July, 2021, the Group had bank balances and cash of HK$222.4 million (2020: HK$333.1 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK$265.2 million (2020: HK$217.3 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2021 (2020: Nil).

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 20.0% at 31st July, 2021 (2020: 26.5%).

EXCHANGE RATE EXPOSURE

The assets and liabilities and transactions of several major subsidiaries of the Group are principally denominated in Renminbi or Hong Kong dollars pegged currencies, which expose the Group to foreign currency risk and such risk has not been hedged. It is the Group's policy to monitor such exposure and to use appropriate hedging measures when required.

Chairman's Statement

BUSINESS REVIEW

For the year ended 31st July, 2021, the principal activities of the Group are property development, hotel operation, financial investment and related activities.

Property investment and development

Sales activities of the residential project alongside Hotel Fortuna, Foshan, the People's Republic of China ("PRC") continue and revenue from sales of property amounting to HK$109.9 million has been recognised for the year ended 31st July, 2021 (2020: HK$66.6 million). At 31st July, 2021, deposits for units pending hand over of approximately HK$32.9 million (2020: HK$20.9 million) was recorded and the unsold saleable floor area of approximately 13.2% of this high-rise residential development is expected to further contribute to the Group's revenue in the near term.

Hotel operation

The Group has a 75% effective interest in Hotel Fortuna, Foshan with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC. Although the operation of the hotel was gradually resuming since early August 2020 following the temporarily suspension started from late January, 2020, the occupancy rate and food and beverage sales remains at a low level under the effect of the pandemic. During the year ended 31st July, 2021, the hotel's occupancy rate dropped to approximately 11.1% and recorded a turnover of approximately HK$6.3 million in compared to turnover of approximately HK$33.7 million in the year ended 31st July, 2020.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. Under the effect of the pandemic, the hotel's occupancy rate dropped to approximately 50.5% and recorded a turnover of approximately HK$112.3 million in year 2020 compared to approximately HK$230.9 million in 2019.

Financial investments

The Group continues its securities investment as one of its principal activities and in the ordinary and usual course of business. Its strategy is to maintain a diversified portfolio of marketable securities for effective treasury and risk management. The Group will continue to invest its surplus funds in marketable securities with attractive return and satisfactory rating, including debt securities. The investment portfolio, under close monitoring by the management, is expected to generate stable income and can be liquidated swiftly to support the Group's operations and cash requirements when needed.

As at 31st July, 2021, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK$117.7 million (2020: HK$26.4 million) and marketable debt securities of HK$147.5 million (2020: HK$190.9 million).

Listed equity securities of HK$117.7 million (2020: HK$26.4 million), representing approximately 44.4% (2020: 12.1%) of the investment portfolio, consist of 6 equity securities (2020: 1) which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The mark to market valuation of the largest single equity security within the portfolio represents approximately 4.5% (2020: 2.2%) of the Group's total assets, and that of the five largest equity securities held represents approximately 10.4%. Approximately 64.7% (2020: 0%) of these equity securities are constituents of the Hang Seng Index and approximately 24.2% (2020: 100%) represents shares in BOCOM International Holdings Company Limited (stock code: 3329). Details of the investment in BOCOM International Holdings Company Limited are set out in the Company's announcements dated 5th May, 2017 and 18th May, 2017.

During the year, the equity portfolio gave rise to a net fair value gain of HK$3.0 million (2020: fair value loss of HK$7.0 million) and dividend income of HK$5.5 million (2020: HK$2.4 million).

As at 31st July, 2021, the Group had 14 listed (2020: 19) and 1 unlisted (2020: Nil) debt securities representing approximately 55.6% (2020: 87.9%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 2.3% (2020: 3.3%) of the Group's total assets, and that of the five largest debt securities held represents approximately 7.7% (2020: 7.6%). The remaining 10 (2020: 14) debt securities represent 5.3% (2020: 8.4%) of the Group's total assets, each ranging from 0.3% to 0.9% (2020: 0.1% to 0.9%). All (2020: approximately 95.9%) of these debt securities are related to PRC-based real estate companies.

During the year, the debts portfolio gave rise to a net fair value loss of HK$34.9 million (2020: fair value loss of HK$0.6 million) and interest income of HK$21.1 million (2020: HK$19.5 million).

CONTINGENT LIABILITIES

At 31st July, 2021, the Group provided guarantees of approximately HK$31.2 million (2020: HK$50.3 million) to banks in respect of mortgage loans provided by the banks to purchasers of the Group's developed properties. These guarantees will be released when the building ownership certificates are issued and pledged by the purchasers with the banks for the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

EMPLOYEES

The Group offers its employees competitive remuneration packages to commensurate with their experience, performance and job nature, which include basic salary, bonuses, share options, medical scheme, retirement and other benefits.

At 31st July, 2021, the Group had approximately 80 employees of whom approximately 40 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2021 amounted to approximately HK$18.3 million (2020: HK$39.3 million).

Chairman's Statement

PROSPECTS

Although the PRC and local economies is still under the influence of the COVID-19 pandemic, the Board believes that the Group's financial position will not be significantly affected in the near term.

The Group launched a money lending service in 2018 facilitated by a money lender licence held by the Group. The service consist of the provision of unsecured consumer finance in Hong Kong through a self-developed online consumer lending software with AI sourcing. With the vision of continuous upscaling, the customer base grew steadily and maintained a net loan portfolio of HK$53.7 million as at 31st July, 2021 (2020: HK$13.6 million) with approximately 3,500 users (2020: approximately 1,000 users). During the year, the loans recorded interest income of HK$15.9 million (2020: HK$2.6 million) and impairment losses under expected credit loss model on receivables amounting to HK$12.0 million (2020: HK$1.3 million). Although the consumer finance service is yet to reach a break even, the management is dedicated to develop such service as a new source of income of the Group.

The Board will continue to closely monitor the development of the pandemic. Facing the recession and uncertainties, the Directors will endeavour to formulate strategies and plans to tackle this unprecedented challenge and utilise its resources effectively to capture viable business opportunities to maintain sustainable long term growth of the Group.

ACKNOWLEDGEMENTS

I would like to thank my fellow directors and staff for their invaluable contribution and commitment during the year.

By Order of the Board

Sio Tak Hong
Chairman

26th October, 2021

EXECUTIVE DIRECTORS

Sio Tak Hong, aged 58, is an Executive Director, Chairman of the Company. He was appointed to the Board in July 2009. Mr. Sio has business and management experience and has been engaged in property projects and commercial developments in Macau and Mainland China. Mr. Sio is also a member of the National Committee of the Chinese People's Political Consultative Conference, Election Committee of Chief Executive of Macau and a Honorary Consul of Grenada since 2005.

Chu Nin Yiu, Stephen, aged 64, is an Executive Director, Chief Executive Officer of the Company. He was appointed to the Board in May 2005. Mr. Stephen Chu was a 1994 Awardee Member of Hong Kong Young Industrialists Council Limited, and a director of Tung Wah Group of Hospitals for the year 2001/02. He is the younger brother of the Deputy Chairman of the Company, Mr. Chu Nin Wai, David.

Chu Nin Wai, David, aged 66, is an Executive Director, Deputy Chairman of the Company. He was appointed to the Board in May 2005. He has experience in property development and investment. He is the elder brother of the Chief Executive Officer and the substantial shareholder of the Company, Mr. Chu Nin Yiu, Stephen.

Lau Chi Kan, Michael, aged 64, joined the Board in May 2005. He owns and manages a garment merchandising and trading company in Hong Kong and an apparel importing company in the United States. Mr. Lau is also the major shareholder of a number of companies in Hong Kong, which are engaged in furniture and textile trading.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Sze Kuen, Billy, aged 74, was appointed to the Board in May 2005. He has professional experience in audit and accounting, and is currently a director of a CPA firm in Hong Kong. Mr. Li is a member of the Institute of Chartered Accountants of Manitoba, and the Hong Kong Institute of Certified Public Accountants.

Wong Kwong Fat, aged 65, was appointed to the Board in June 2005. He joined an insurance broking company in Hong Kong as a manager on 1 April 2001. He is responsible for staff management and co-ordination and the marketing and promotion of and advising on various insurance policies. Mr. Wong is a Fellow Chartered Financial Practitioner of the Life Underwriter Association of Hong Kong.

Leung Kam Fai, aged 60, was appointed to the Board in June 2005. He is a solicitor of the High Court of Hong Kong. Mr. Leung currently is a partner solicitor with Messrs. Patrick Wong & Co., Solicitors. Mr. Leung graduated from the University of Hong Kong with a Bachelor of Laws degree, and was awarded the Sir Man Kam Lo/ Jardine Scholarship in 1991. He also holds a Bachelor of Arts degree from the University of Washington in the United States and a postgraduate certificate in laws from the University of Hong Kong.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

In order to attain a high standard of corporate governance, the Company is committed to continuously adopting and improving effective measures and practices to achieve a high level of transparency and accountability in the interests of its shareholders.

During the year ended 31st July, 2021, the Company complied with all applicable provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Code") except for the following deviation:

1. Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

   The independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation at annual general meetings in accordance with Article 103(A) of the Company's Articles of Association. The Company will ensure that all directors retire at regular intervals.

2. Under Code E.1.2, the Chairman of the board of directors (the "Board") should attend the annual general meeting.

   The Chairman of the Board was unable to attend the Company's annual general meeting which was held on 10th December, 2020 due to the COVID-19 pandemic.

BOARD OF DIRECTORS

The Board of the Company consists of four executive directors and three independent non-executive directors. One of the independent non-executive directors has appropriate professional qualifications in accounting or related financial management expertise as required by the Listing Rules.

Providing overall direction and control of the Group, the Board is mainly responsible for the formulation and development of business strategies and policies, and approval of budgets, results, significant investments and material transactions. The daily administration and operations, and the execution of plans and policies, are delegated to the management under the leadership of the Board.

The biographies of the Board members are set out on page 7 of this annual report under the subject "Directors' Profile". The directors have no financial, business, family or other material/relevant relationships with each other except that Mr. Chu Nin Yiu, Stephen (Chief Executive Officer) is the brother of Mr. Chu Nin Wai, David (Deputy Chairman).

The Company has received annual confirmations of independence from all independent non-executive directors, and considers them independent in accordance with the Listing Rules.

All directors have full access to board minutes, papers and relevant information of the Group. They are also entitled to obtain independent professional advice where deemed necessary in order to enable them to make informed decisions and discharge their responsibilities and duties accordingly.

The directors are briefed during regular Board meetings to keep them abreast of any changes to the regulations and disclosure obligations. Relevant material from public resources on legislative and regulatory environment, cooperate governance, internal control and other topics are recommended to directors to go through as to develop and refresh their knowledge and skills. All directors are also encouraged to attend relevant training courses at the Company's expense.

Appropriate directors' and officers' liability insurance has been arranged for the directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Sio Tak Hong serves as the Chairman of the Board and Mr. Chu Nin Yiu, Stephen serves as the Chief Executive Officer of the Group. The Chairman's responsibility is to oversee the functioning of the Board and the strategies and policies of the Group and the Chief Executive Officer's responsibility is to manage the Group's business.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Company's Articles of Association, two of the directors shall retire from office at each annual general meeting by rotation and shall be eligible for re-election. Any directors appointed by the Board either to fill a casual vacancy or as an addition shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation at annual general meetings in accordance with the Company's Articles of Association.

Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai have served as independent non-executive directors of the Company for more than nine years. In addition to their confirmation of independence in accordance with Rule 3.13 of the Listing Rules, each of Mr. Li, Mr. Wong and Mr. Leung continues to demonstrate the attributes of an independent non-executive director by providing independent views and advice and there is no evidence that their tenure has had any impact on their independence. The Directors are of the opinion that Mr. Li, Mr. Wong and Mr. Leung have the required character, integrity, independence and experience to perform the role of an independent non-executive director. The Board is not aware of any circumstances that might influence Mr. Li, Mr. Wong and Mr. Leung in exercising their independent judgement and they believe that their external experience will continues to generate significant contribution to the Company and its shareholders as a whole.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with the Code. The Audit Committee comprises Mr. Li Sze Kuen, Billy (Chairman), Mr. Wong Kwong Fat and Mr. Leung Kam Fai, all of whom are independent non-executive directors.

The principal functions of the Audit Committee include the review and supervision of the Group's reporting process and internal controls.

During the year, the Audit Committee held two meetings and performed the following duties:

1. reviewed and commented on the Company's draft annual and interim financial reports;

2. reviewed and commented on the Group's internal controls; and

3. met with the external auditors and participate in the re-appointment and assessment of the performance of the external auditors.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2021.

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference in compliance with the Code. The Remuneration Committee comprises the three independent non-executive directors, Mr. Leung Kam Fai (Chairman), Mr. Li Sze Kuen, Billy and Mr. Wong Kwong Fat and the Chief Executive Officer, Mr. Chu Nin Yiu, Stephen.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, determine the specific remuneration packages of all executive directors and senior management including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

NOMINATION COMMITTEE

The Nomination Committee was established with written terms of reference in compliance with the Code. The Nomination Committee comprises the three independent non-executive directors, Mr. Wong Kwong Fat (Chairman), Mr. Li Sze Kuen, Billy and Mr. Leung Kam Fai and the Chief Executive Officer, Mr. Chu Nin Yiu, Stephen.

The principal duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board, to determine policy for nomination of directors, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to assess the independence of independent non-executive directors of the Company.

The Company has adopted a policy to enhance Board diversity. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

ATTENDANCE AT MEETINGS

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, Nomination Committee Meeting and the 2020 Annual General Meeting are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	2020 Annual General Meeting
Number of meetings held	4	2	1	1	1
Executive Directors:					
Sio Tak Hong	4/4	N/A	N/A	N/A	0/1
Chu Nin Yiu, Stephen	4/4	N/A	1/1	1/1	1/1
Chu Nin Wai, David	4/4	N/A	N/A	N/A	0/1
Lau Chi Kan, Michael	4/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors:					
Leung Kam Fai	4/4	2/2	1/1	1/1	0/1
Wong Kwong Fat	4/4	2/2	1/1	1/1	0/1
Li Sze Kuen, Billy	4/4	2/2	1/1	1/1	1/1

AUDITOR’S REMUNERATION

For the year ended 31st July, 2021, remuneration of approximately HK$2,160,000 was payable to the Auditor for audit service and approximately HK$368,000 for interim review and other non-audit services during the year.

FINANCIAL REPORTING

The directors acknowledge the responsibilities of preparing the financial statements of the Group which give a true and fair view. The statement of the Auditors about their reporting responsibilities is set out in the Independent Auditor’s Report on pages 29 to 32.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the Audit Committee and the Risk Management Taskforce. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group’s strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group’s objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

COMMUNICATION WITH SHAREHOLDERS

In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through annual and interim reports, circulars, announcements and press interviews. The Company has established its own corporate website www.capitalestate.com.hk to facilitate effective communication with its shareholders and the public.

DIVIDEND POLICY

The Board has adopted a dividend policy (the “Dividend Policy”) which took effect on 25th June, 2019. Under the Dividend Policy, provided there are distributable profits and adequate reserves for meeting working capital requirements and future growth of the Group as well as its shareholder’s value, the Company may declare and pay dividends to the Shareholders.

The Board shall consider the following factors of the Group in the declaration and payment of dividends:

- the actual and expected financial results;
- cash flow, liquidity position and capital requirements;
- business conditions and strategies;
- future operations and earnings;
- economic conditions and other internal or external factors that may affect the business or financial position of the Group;
- interests of shareholders;
- taxation consideration;
- any restrictions on payment of dividends; and
- any other factors that the Board may deem relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate, subject to the Articles of Association of the Company and all applicable laws and regulations. The dividend payout ratio will vary from year to year, and there is no assurance that dividends will be paid in any particular amount for any given period.

ANNUAL GENERAL MEETING

During the year, an annual general meeting was held on 10th December, 2020.

SHAREHOLDERS RIGHTS

(i) The Way In Which Shareholders Can Convene A General Meeting of Shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may request the Directors to convene a general meeting. The written requisition must state the object of the meeting, and must be authenticated by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition may consist of several documents in like form, and each must be authenticated by the person(s) making it.

If the Directors do not within 21 days from the date on which they become subject to the requirement call a general meeting to be held on a date not more than 28 days after the date of the notice convening the meeting, the shareholder(s) concerned or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting, provided that such general meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a meeting.

The meeting convened by shareholders shall be called in the same manner, as nearly as possible, as that in which that general meeting is required to be called by the Directors.

(ii) Procedure for Sending Enquiries to the Board

Enquiries by shareholders to be put to the Board can be sent in writing to the Company Secretary at the Company's registered address.

(iii) Procedures for Nominating a Person for Election as Director in General Meeting of Shareholders

Pursuant to Article 107 of the Articles of Association of the Company, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company at least seven days before the date of the general meeting.

If a shareholder (the "Proposer") of the Company wishes to propose a person ("the Nominee"), for election as a Director at a general meeting, the minimum length of the period, during which notice to the Company signed by the Proposer of the intention to propose a person for election as a Director, and during which notice to the Company signed by such Nominee confirming his willingness to be elected may be given, will be at least seven (7) days and the period for lodgment of the notices to the Company of the intention to propose a person for election as a Director will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.

REPORTING PRINCIPLE AND SCOPE

This Environmental, Social and Governance report ("ESG Report") of Capital Estate Limited (together with its subsidiaries, referred to in this report as the "Group" or "we") was prepared in accordance with the Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in hotel operation, property development, financial investment and related businesses, with majority of its staff engaging in the hotel operation. Having taken into account the materiality of business contributions, and the volume of stakeholder, among other things, this ESG Report primarily discloses our performance and initiatives of the hotel operation in Mainland China for the period between 1st August, 2020 and 31st July, 2021 ("Reporting Period") in environmental, social and governance aspects.

ENVIRONMENTAL ASPECT

As a responsible corporate citizen, the Group understands that environmental protection is of utmost importance to the long-term benefit of the society. The Group continuously reviews its internal policies and relevant guidelines, with a view to integrating the principle of sustainable development into its daily operations and minimising the negative environmental impact from its business development. We have adopted various initiatives to enhance energy efficiency and achieved energy saving and emission reduction in major operating processes, which include:

- 95% of our low-efficiency lighting system has been replaced with LED and energy-saving lamps

- Centralised air-conditioning system has been installed. The number of operating air-conditioners is determined by the temperature of the water-side system, to reduce energy consumption

- Frequency inverters are used to control machines with high power output

- Energy-saving stoves are applied in kitchens

- Flue gas will only be emitted after oil separation and precipitation by hydrovents and electrostatic oil separation equipment, to ensure that the emission of flue gas and oil meets national requirement

The Group promotes environmental awareness among employees and encourages them to work with a "paperless" approach, such as using electronic communication for general office operation, storing information of employees, clients and suppliers with electronic files, confirming and processing guest room reservation through online platform or electronically. We also encourage our staff to apply double-sided printing to reduce paper usage and wastage, and switch off idling lighting, personal computer and other devices. During the Reporting Period, the Group's electricity consumption decreased by 11% (2020: decreased by 38%) as compared to the same period of previous year.

The Group recognises the importance of water conservation and avoids unnecessary wastage of water in daily operations by fostering better water usage and control. For instance, we regularly inspect and timely repair any broken pipes and valves, so that we are able to detect in advance and fix the leakage; we have installed sensor faucets at washrooms in hotel to reduce water consumption; we place "environmental card" in guest rooms to encourage customers to join hands in protecting the environment by notifying them that bed sheets and towels are only replaced and cleaned upon their request, so as to minimise the frequency of changing them and save water from laundry.

We also stress the need of proper waste handling. Food waste is the major waste from hotel operation. We categorise and put food waste in designated storage area before sending the food waste to centralised processing by professional institution. The Group also proactively participated in the "Civilised Table Manner" event and promoted the act of "food conservation" and "clear your plate" to reduce wastage of food.

SOCIAL ASPECT

Our Employees

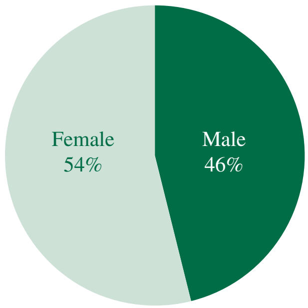
Employees are the most valuable assets of an enterprise and the core driver for enhancing competitiveness and fostering long-term development. Therefore, we offer competitive remuneration package, in terms of recruitment, salary, promotion and benefits, to attract and retain talent.

The Group strictly complies with the Employment Ordinance (Cap. 57, Laws of Hong Kong), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Standards Act (《勞動基準法》) and other applicable laws in regions where the Group operates, as well as industry standards. Taking into account the working experience, strengths, academic background and other criteria, we choose our talent without any discrimination of nationality, age, religion, gender, marital status, disability or in any other form. During the Reporting Period, there was no incident of non-compliance with or violation of laws and regulations that have a significant impact on the Group relating to employment.

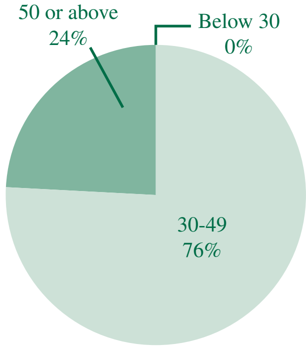
We offer our staff with reasonable and competitive salary and benefits, including paid holidays, social insurance and commercial insurance and so on. Meanwhile, the Group ceaselessly improves its recruitment and promotion program. Employees' remuneration, benefit and promotion are reviewed on a regular basis based on their job performance, professional skills, work experience and growth potential, in order to provide fair and just promotion and salary increment channels. The Group strictly complies with relevant laws and regulations, and prohibits child labour and forced labour. During the Reporting Period, there was no child labour and forced labour.

We care about our employees, and improve their well-being through coordinating various activities and different channels. The Group founded an "Employee Aid Association" to encourage employees to help and support each other. They can share their views and recommendations on the hotel operation through this platform, thereby facilitating a good communication between employees and the company. In addition, we organised entertainment activities, such as company trip, to strengthen employees' sense of belonging. The Group has also set up table-tennis room, snooker room, dancing room, television sets and other entertainment facilities in the dormitory to enrich their lives after work.

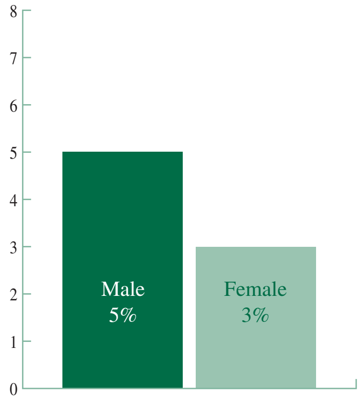
As at 31st July, 2021, we had a total of 80 employees.



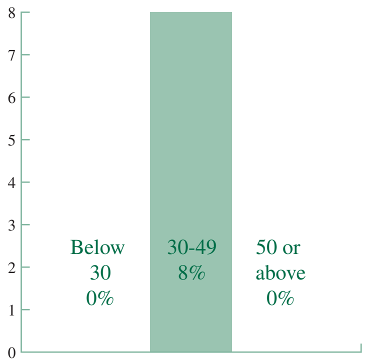
Employees by gender



Employees by age group

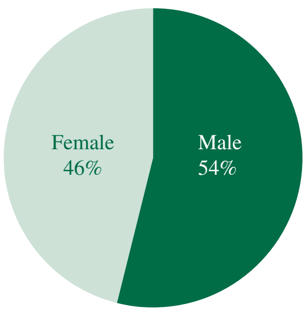


Employee turnover rate by gender

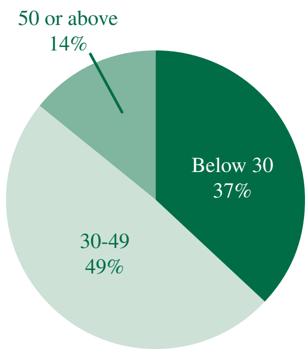


Employee turnover rate by age group

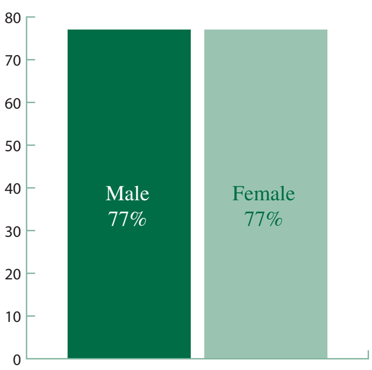
As at 31st July, 2020, we had a total of 80 employees.



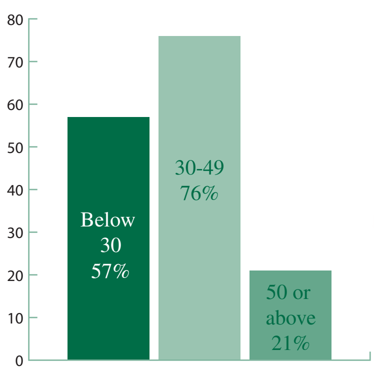
Employees by gender



Employees by age group



Employee turnover rate by gender



Employee turnover rate by age group

Health and Safety

We place importance on the occupational safety as we consider employees' health and safety as our priority. Hence, the Group strives to provide a safe and stable working environment to its staff. We equip our employees with protective gear including cut-resistant gloves, slip-resistant shoes to reduce accidents. For special positions, such as electricians, elevator operators and lifeguards, these employees are required to hold professional certificates to assume the positions. During the Reporting Period, there were no work-related accidents within the Group (2020: 5), and there was no incident that caused work-related fatalities.

People with work-related injuries and number of lost days for work-related injuries

	2021		2020	
Male	0 persons	0 days	4 persons	0 days
Female	0 persons	0 days	1 persons	17 days

The Group follows the Fire Law of the People's Republic of China (《中華人民共和國消防法》) and stringently regulates the fire safety control system of the hotel operation whilst preparing fire-fighting equipment according to the fire safety requirements. The Group regularly provides training on fire safety knowledge and field training, including learning how to use extinguisher properly and skills of handling fire emergency, and training on first-aid knowledge and public hygiene. The local Fire Department is also invited to our hotel to perform fire drill every year.

Development and Training

The Group attaches high importance to growing together with employees. New employees, executives and existing employees regularly receive training on management and professional skills to improve their competitiveness. All new employees are given a set of Employee Handbook which outlines our regulations, system, employees' standards of professional behaviour and code of ethics. Our human resources department is responsible for giving orientation training to new employees to help them understand our corporate culture and their job requirement, thereby allowing them to familiarise with their work environment and jobs faster and blend in the team.

Service quality is critical to the services sector, such as hotel operation. The Group regularly provides training program of service etiquette, professional moral standard and English speaking to improve service quality and speaking skills, and elevate our service level. For senior management, we provide value-added programs such as "How to Build An Excellent Team", "Enhancing Execution Capability" and "Developing Sense of Belonging" to improve their management capability and reinforce cohesion and execution of the team. During the Reporting Period, the Group organised 5 (2020: 68) training courses. Average training hours of employees were 5 hours (2020: 68 hours).

Supply Chain Management

Sustainable supply chain management is an integral part to providing stable and high-quality products and services. Thus, we implement, through a set of fair, impartial and just tender procedures, a stringent supplier management and examination standard, and determine a clear, bespoke procurement standard to ensure that qualified and high-quality suppliers are selected.

We have set up specialised procurement department and officers. We communicate closely with our suppliers and create a mutual trust and mutually beneficial partnership before making procurement. The Group's procurement officers adhere to the rigid procurement regulations and system. Suitable suppliers are selected based on their consistency of maintaining production quality, management experience, research capability of technique, equipment level, source of raw materials, delivery time and track record, together with the Group's needs.

We stress the importance of local procurement. 11 suppliers (2020: 31 suppliers) hired during the Reporting Period are local suppliers that efficiently lowered our carbon emission generated by transportation. We determine procurement prices according to the monthly price fluctuation in order to control supply costs and achieve the best economic and environmental efficiency.

Product and Service Quality

We put our customers first as we persevere in the pursuit of excellent service quality and listen to their needs and opinions. We assign designated account officers and secretaries to promptly respond to customers' needs, with a view to rendering tailored and responsible services to customers. Through sales visits, 24-hour service hotline, opinion box and other channels, we obtain customers' opinions on our different services and keep a close communication with them. We make customised arrangements and deployments for different customer groups and take feasible measures to continuously and meticulously improve our service, thereby increasing their satisfaction and loyalty.

Besides service quality, the Group strives to maintain an excellent dining level. We value food safety and quality, as we carry out stringent control on food suppliers in relations to raw foodstuffs, procedures and environment of food processing, quality assurance, among other things. Once we are aware of any potential and significant food safety issues, we will immediately terminate partnership with such suppliers.

The Group complies with the China Tourism Hotel Industry Code (《中國旅遊飯店行業規範》) and other national regulations to safeguard the legal rights and personal privacy of our guests. We collect necessary personal data from our guests based on operating needs and only use it for designated purposes. All personal data of our guests is kept in a proper manner, with non-designated staff prohibited from access. Their personal data is not allowed to be read, used, edited or disclosed without authorisation, and will not be used for advertising purpose to protect their privacy.

We promote our hotels from time to time to attract more guests. These promotional campaigns are in compliance with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Interim Measures for the Administration of Internet Advertisements (《互聯網廣告管理暫行辦法》) and other applicable laws and regulations by government relating to advertising and labelling. We ensure that consumers are able to make informed choices with adequate information.

During the Reporting Period, the Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters.

Anti-corruption

The Group adheres to honesty and integrity in business operation and does not tolerate any bribery, money-laundering, fraud and other illegal acts of our staff or with suppliers and business partners. Our Employee Handbook sets forth that employees are required to uphold business ethics and not to receive and ask for any unlawful benefits. Employees are responsible for reporting any corruption acts. The Group encourages its staff to report any illegal or dishonest acts within the company and protects them. Employees violating regulations will receive disciplinary punishment ranging from verbal warning to dismissal. We will review our anti-corruption policy from time to time and take improvement measures when necessary. We adopt a fair and open tender mechanism and reassess it regularly to minimise the risks of corruption in business operation.

During the Reporting Period, we were not aware of any breach of law and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

Community Investment

The Group fulfills its corporate citizenship and contribute to the regions where it operates through its own resources and actions. We accord priority to offering available job positions to local residents to improve the local employment rate. We adopt the local procurement principle to purchase local products and services to boost local economy. We also encourage employees to take part in charity activities, such as organising volunteer team to visit the elderly home and orphanage during New Year, Mid-autumn Festival and other festive seasons.

Looking ahead, we will continue to improve and step up our social, environmental and governance efforts, integrate the idea of sustainable development into daily operations, and uphold the spirit of "giving back to the society" whilst fulfilling our corporate social responsibilities.

APPENDIX – ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas	Content	Section in This ESG Report
A. Environmental Aspect		
A1 Emissions		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Aspect
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Aspect
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Aspect
B. Social Aspect		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees
B1.1		
KPI	Total workforce by gender, employment type, age group.	Our Employees
B1.2		
KPI	Employee turnover rate by gender, age group.	Our Employees
B2 Health and Safety		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
B2.2		
KPI	Lost days due to work injury.	Health and Safety

Environmental, Social and Governance Report

Subject Areas	Content	Section in This ESG Report
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B4 Labour Standard		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our Employees
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B6 Product Responsibility		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product and Service Quality
B7 Anti-corruption		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st July, 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The activities of its principal subsidiaries and associates are investment holding, property investment and development, hotel operation, financial investment and related activities, which are set out in notes 38 and 16 to the consolidated financial statements respectively. Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement set out on pages 3 to 6 of this annual report. This discussion forms part of this Directors' Report.

In addition, discussion on the Group's environmental policy and performance, key relationships with the Group's key stakeholders as well as compliance with the relevant laws and regulations which have significant impact on the Group are set out in the Environmental, Social and Governance Report from pages 15 to 22 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 12.71% and 39.85% respectively of the Group's total turnover for the year.

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

None of the directors, their close associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers.

RESULTS

The results of the Group for the year ended 31st July, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 33.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties of the Group as at 31st July, 2021 are set out on page 106 of this annual report.

SHARE CAPITAL

There were no movement in the Company's issued share capital during the year.

SHARE OPTIONS

Pursuant to a resolution passed on 7th December, 2012, the existing share option scheme (the "Scheme") was adopted following the termination of the previous share option scheme which was adopted on 30th December, 2002.

Particulars of the Company's share option schemes are set out in note 29 to the consolidated financial statements.

No share options was outstanding at the beginning of the year or granted during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st July, 2021 and 2020, the Company had no reserve available for distribution to shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:
Sio Tak Hong *(Chairman)*
Chu Nin Yiu, Stephen *(Chief Executive Officer)*
Chu Nin Wai, David *(Deputy Chairman)*
Lau Chi Kan, Michael

Independent Non-Executive Directors:
Leung Kam Fai
Wong Kwong Fat
Li Sze Kuen, Billy

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Sio Tak Hong and Mr. Wong Kwong Fat retire and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company considers all the independent non-executive directors are independent.

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, Mr. Sio Tak Hong, Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David and Mr, Lau Chi Kan, Michael are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Mr. Fok Ka Leong, Simon, Mr. Kong Tat Choi, Mr. Lai Kin Hak, Mr. Leung Chuen, John, Mr. Si Tit Sang, Ms. Sio Lai Na, Mr. Tang Fung and Mr. Zhu Yingjie.

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 loss or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st July, 2021, the interests of the directors and the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(I) The Company

Ordinary shares of the Company

	Number of shares held				
Name of Director	**Personal interest (held as beneficial owners)**	**Family interest (interests of spouse or child under 18)**	**Corporate interest (interest of controlled corporation)**	**Total**	**Percentage of the issued share capital of the Company**
Sio Tak Hong ("Mr. Sio")	3,885,000	1,836,825	64,580,625 (Note 1)	70,302,450	36.2%
Chu Nin Yiu, Stephen ("Mr. Chu")	1,777,500	–	25,008,555 (Note 2)	26,786,055	13.8%
Lau Chi Kan, Michael	145,375	–	–	145,375	0.1%

Notes:

1. Mr. Sio was deemed to be interested in the 64,580,625 shares in the Company held through Fullkeen Holdings Limited ("Fullkeen"), which is in turn 70% owned by Mr. Sio.

2. Mr. Chu was deemed to be interested in the 25,008,555 shares in the Company held through Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu.

(II) *Associated corporation*

		Number of shares held				
Name of Director	Associated Corporation	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the associated corporation
Mr. Sio	Tin Fok Holding Company Limited	–	–	1,270 (Note 1)	1,270	63.5%
Mr. Chu	Tin Fok Holding Company Limited	–	–	170 (Note 2)	170	8.5%

Notes:

1. Mr. Sio was deemed to be interested in the 1,270 shares in the associated corporation in which 1,100 shares were held through Global Master Management Limited, which is in turn 42.0% owned by spouse of Mr. Sio, and 170 shares were held through Macro Rich Limited, which is turn 41.2% owned by Global Master Management Limited.

2. Mr. Chu was deemed to be interested in the 170 shares in the associated corporation held through Macro Rich Limited, which is in turn 58.8% owned by Mr. Chu.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st July, 2021.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section of "Share options", 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 and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "Related Party Disclosures" as set out in note 35 to the consolidated financial statements, there were no contracts of significance to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Sio, the Chairman and an executive director of the Company, held share interests and/or directorships in other companies which are principally engaged in property investment and development in Macau and Mainland China. Mr. Sio is therefore considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

As the businesses of the Company and the above entities are operated under separate management with no reliance (whether financial or business) on each other, the Group is able to operates its businesses independently of, and at arm's length from the competing entities.

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2021, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of the Company

	Number of shares held				
Name of shareholder	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the Company
Fullkeen	64,580,625	–	–	64,580,625	33.2%
Mr. Sio	3,885,000	1,836,825	64,580,625 (Note 1)	70,302,450	36.2%
Supervalue	25,008,555	–	–	25,008,555	12.9%
Mr. Chu	1,777,500	–	25,008,555 (Note 2)	26,786,055	13.8%

Notes:

1. Mr. Sio was deemed to be interested in the 64,580,625 shares in the Company held through Fullkeen, which is in turn 70% owned by Mr. Sio.

2. Mr. Chu was deemed to be interested in the 25,008,555 shares in the Company held through Supervalue, which is in turn wholly owned by Mr. Chu.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st July, 2021.

Directors' Report

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group. Relevant operation units will ensure adherence to applicable laws, rules and regulations that have significant impact on the operation and any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees from time to time.

CORPORATE GOVERNANCE

Pursuant to Appendix 23 of the Listing Rules, details of corporate governance report are set out on pages 8 to 14 of the annual report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the board of directors after recommendation from the Remuneration Committee, having regard to the time commitment and responsibilities of the directors, the Company's operating results, individual performance and comparable market statistics.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st July, 2021.

AUDITOR

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

On behalf of the Board

Sio Tak Hong
Chairman

26th October, 2021

Deloitte. 德勤

TO THE MEMBERS OF CAPITAL ESTATE LIMITED
冠中地產有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Capital Estate Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 33 to 104, which comprise the consolidated statement of financial position as at 31st July, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st July, 2021, 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were 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 these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from property sales	
We identified revenue recognition from property sales as a key audit matter due to its significance to the consolidated financial statements. As disclosed in note 5 to the consolidated financial statements, the Group recognised revenue amounting to HK$109,875,000 from property sales, representing 95% of the Group's total revenue, for the year ended 31st July, 2021. As disclosed in note 3 to the consolidated financial statements, revenue from property sales is recognised when the criteria for the transfer of properties to the customers set out in the sale and purchase agreement are fulfilled.	Our procedures in relation to revenue recognition from property sales included: • Obtaining an understanding of the management's controls over the recognition of revenue from property sales at appropriate point of time; • Inspecting, on a sample basis, the terms set out in the sale and purchase agreements to understand the criteria for the delivery of properties to the customers through which a performance obligation is satisfied, i.e. when control of the properties underlying the particular performance obligation has been transferred to the customers; and • Testing whether the criteria for the transfer of properties have been fulfilled by checking, on a sample basis, to the terms of the sale and purchase agreements, the delivery notices sent to and signed by the customers and the settlement status of the consideration.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 HKSAs 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 HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 the independent auditor's report is Wong Lam Ching.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26th October, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st July, 2021

	NOTES	**2021 HK$'000**	2020 HK$'000
Revenue	5	**116,147**	100,318
Cost of sales		**(60,810)**	(42,872)
Direct operating costs		**(2,959)**	(23,750)
Gross profit		**52,378**	33,696
Other gains and losses	6	**(26,384)**	6,797
Impairment losses under expected credit loss ("ECL") model, net		**(12,016)**	(1,341)
Other income		**43,517**	28,110
Marketing expenses		**(4,653)**	(6,821)
Administrative expenses		**(40,306)**	(56,634)
Other hotel operating expenses		**(13,045)**	(12,310)
Share of loss of an associate		**(16,360)**	(21,224)
Finance costs	7	**(257)**	(18)
Loss before taxation		**(17,126)**	(29,745)
Income tax expense	8	**(12,328)**	(2,459)
Loss for the year	9	**(29,454)**	(32,204)
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange reserve upon deregistration of a subsidiary		**–**	(1,138)
Exchange differences arising on translation of foreign operations		**27,644**	(12,174)
Other comprehensive income (expense) for the year		**27,644**	(13,312)
Total comprehensive expense for the year		**(1,810)**	(45,516)
(Loss) profit for the year attributable to:			
Owners of the Company		**(34,068)**	(29,497)
Non-controlling interests		**4,614**	(2,707)
		(29,454)	(32,204)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(13,335)**	(39,705)
Non-controlling interests		**11,525**	(5,811)
		(1,810)	(45,516)
Loss per share	13		
Basic – HK cents		**(17.5)**	(15.2)

Consolidated Statement of Financial Position

At 31st July, 2021

	NOTES	**2021 HK$'000**	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**234,922**	227,928
Right-of-use assets	15	**34,446**	36,097
Interest in an associate	16	**171,130**	200,111
Deposit and prepayment for a life insurance policy	17	**11,614**	11,644
		452,112	475,780
Current assets			
Properties held for sale	18	**78,881**	128,576
Inventories	19	**787**	1,446
Trade and other receivables	20	**26,758**	3,577
Receivables from customers of consumer finance service	21	**53,669**	13,596
Amount due from an associate	22	**7,869**	7,226
Prepaid income tax		**19,789**	15,797
Financial assets at fair value through profit or loss ("FVTPL")	23	**265,228**	217,283
Pledged bank deposit	24	**644**	643
Bank balances and cash	24	**221,755**	332,456
		675,380	720,600
Current liabilities			
Trade and other payables	25	**26,850**	11,826
Contract liabilities		**33,225**	21,161
Lease liabilities	26	**2,671**	2,727
Amounts due to related parties	22	**9,009**	121,490
Tax payable		**94,477**	71,341
		166,232	228,545
Net current assets		**509,148**	492,055
Total assets less current liabilities		**961,260**	967,835
Non-current liabilities			
Deferred tax liability	27	**27,305**	29,405
Lease liabilities	26	**307**	2,972
		27,612	32,377
Net assets		**933,648**	935,458

Consolidated Statement of Financial Position

At 31st July, 2021

	NOTES	**2021** **HK$'000**	2020 HK$'000
Capital and reserves			
Share capital	28	**1,518,519**	1,518,519
Reserves		**(548,021)**	(534,686)
Equity attributable to owners of the Company		**970,498**	983,833
Non-controlling interests		**(36,850)**	(48,375)
Total equity		**933,648**	935,458

The consolidated financial statements on pages 33 to 104 together with the company statement of financial position set out in note 39 to the consolidated financial statements were approved and authorised for issue by the Board of Directors on 26th October, 2021 and are signed on its behalf by:

Sio Tak Hong
DIRECTOR

Chu Nin Yiu, Stephen
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31st July, 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000 (Note 39)	Translation reserve HK$'000	Revaluation reserve HK$'000 (Note i)	FVTOCI reserve HK$'000 (Note ii)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st August, 2019	1,518,519	157	23,542	170,583	(2,018)	51,510	(73,778)	(664,977)	1,023,538	(42,564)	980,974
Loss for the year	–	–	–	–	–	–	–	(29,497)	(29,497)	(2,707)	(32,204)
Other comprehensive expense for the year	–	–	–	–	(10,208)	–	–	–	(10,208)	(3,104)	(13,312)
Total comprehensive expense for the year	–	–	–	–	(10,208)	–	–	(29,497)	(39,705)	(5,811)	(45,516)
At 31st July, 2020	1,518,519	157	23,542	170,583	(12,226)	51,510	(73,778)	(694,474)	983,833	(48,375)	935,458
(Loss) profit for the year	–	–	–	–	–	–	–	(34,068)	(34,068)	4,614	(29,454)
Other comprehensive income for the year	–	–	–	–	20,733	–	–	–	20,733	6,911	27,644
Total comprehensive income (expense) for the year	–	–	–	–	20,733	–	–	(34,068)	(13,335)	11,525	(1,810)
At 31st July, 2021	1,518,519	157	23,542	170,583	8,507	51,510	(73,778)	(728,542)	970,498	(36,850)	933,648

Notes:

(i) The revaluation reserve includes share of the gain on revaluation of property, plant and equipment of the Group's associate, arising from the transfer of the associate's property, plant and equipment to investment properties.

(ii) "FVTOCI" represents fair value through other comprehensive income.

Consolidated Statement of Cash Flows

For the Year Ended 31st July, 2021

	2021 **HK$'000**	2020 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(17,126)**	(29,745)
Adjustments for:		
Bank and other interest income	**(16,514)**	(4,302)
Investment income from financial assets at FVTOCI	**–**	(2,683)
Interest expense	**257**	18
Depreciation of property, plant and equipment	**11,834**	11,243
Depreciation of right-of-use assets	**4,295**	1,684
Premium charges on a life insurance policy	**363**	356
Share of loss of an associate	**16,360**	21,224
Loss on disposal of property, plant and equipment	**118**	45
Decrease in fair value of financial assets at FVTPL	**31,867**	7,671
Impairment loss under ECL model, net	**12,016**	1,341
Gain on deregistration of a subsidiary	**–**	(1,138)
Gain on transfer of other payable	**–**	(10,980)
Operating cash flows before movements in working capital	**43,470**	(5,266)
Decrease in properties held for sale	**60,810**	42,872
(Increase) decrease in financial assets at FVTPL	**(77,203)**	26,001
Decrease in inventories	**784**	596
(Increase) decrease in trade and other receivables	**(403)**	1,350
Increase in receivables from customers of consumer finance service	**(52,089)**	(11,571)
Increase (decrease) in contract liabilities	**10,234**	(10,721)
Increase (decrease) in trade and other payables	**2,649**	(17,849)
Cash (used in) generated from operations	**(11,748)**	25,412
Income tax paid	**(2,626)**	(6,444)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(14,374)**	18,968
INVESTING ACTIVITIES		
Interest received	**15,128**	3,801
Proceeds on disposal of property, plant and equipment	**82**	25
Purchase of property, plant and equipment	**(20)**	(1,011)
Advance to an associate	**(3)**	(1,652)
Upfront payment for right-of-use assets	**–**	(67)
Investment income received from financial assets at FVTOCI	**–**	2,683
NET CASH FROM INVESTING ACTIVITIES	**15,187**	3,779

Consolidated Statement of Cash Flows

For the Year Ended 31st July, 2021

	2021 **HK$'000**	2020 HK$'000
FINANCING ACTIVITIES		
Repayment to related parties	**(113,033)**	(41,934)
Repayment of lease liabilities	**(2,715)**	(24)
Interest on overdraft in brokers' account paid	**(141)**	–
Interests on lease liabilities paid	**(122)**	(7)
CASH USED IN FINANCING ACTIVITIES	**(116,011)**	(41,965)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(115,198)**	(19,218)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**332,456**	356,316
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**4,497**	(4,642)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	**221,755**	332,456
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**221,755**	332,456
Cash flow from operating activities included:		
Interest received from financial assets at fair value through profit or loss	**21,123**	19,483
Dividend received from financial assets at fair value through profit or loss	**5,483**	2,350

1. GENERAL INFORMATION

Capital Estate Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Unit 1701, 17/F., YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong.

The Company acts as an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 38 and 16, respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), which is also the functional currency of the Company. Certain comparative figures as set out in the consolidated statement of profit or loss and consolidated statement of financial position have been reclassified to conform with current year's presentation. These reclassifications have no effect on the comparative figures in consolidated statement of financial position, loss for the year or cash flows of the Group.

2. APPLICATION OF 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 "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the 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 August, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and 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.

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and 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:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1st January, 2023
2 Effective for annual periods beginning on or after 1st January, 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st January, 2021
5 Effective for annual periods beginning on or after 1st April, 2021

Except for the amendments to HKFRSs mentioned below, 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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement to help entities.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statement

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 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 of 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".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation of consolidated financial statement *(Continued)*

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.

3.2 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 and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Investment in an associate

An associate is an entity over which the Group has significant influence. 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 the associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate 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, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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 recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Investment in an associate (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount 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 the investment, 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.

Where a group entity transacts with an associate of the Group, 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.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent 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 that is accounted for as an operating lease 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 is recognised so as to write off the cost of assets 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment (Continued)

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

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 of HKFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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 on the basis of their relative stand-alone prices, and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarters and a warehouse that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

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.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

***Leases** (Continued)*

The Group as a lessee (Continued)

Lease liabilities *(Continued)*

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.

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

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.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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 or 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.

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. The Group receives no less than 30% of the contract value as deposits from customers when they sign the sale and purchase agreements for the properties held for sale and the remaining contract value are received before the control of the properties being transferred to the customers. The deposits result in contract liabilities under current liabilities being recognised until the control of the properties being transferred to the customers.

The Group recognises revenue from room rentals of hotel operation over time by reference to the progress towards complete satisfaction of the relevant performance obligation. For food and beverage sales and rendering of ancillary services of the hotel operations, revenue is recognised at a point in time when the goods or services are delivered or rendered to customers. Revenue from sale of properties held for sale is recognised at a point in time when the criteria for the transfer of properties to the customers set out in the sale and purchase agreements are fulfilled.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers (Continued)

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 services rendered to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, the Group recognises revenue in the amount to which the Group has the right to invoice for room rental of hotel operation, as the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

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 relate 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. Grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties held for sale

Properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

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 have suffered an impairment loss. If any such indication exists, the recoverable amount of 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. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment and right-of-use assets (Continued)

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 an associate, 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.

The carrying amount of deferred tax 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 rates (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.

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 taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange 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 at 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rate prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Employee benefits

Retirement benefit costs

Payments to defined contribution scheme/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as expenses when employees have rendered services entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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.

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 purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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 "Revenue from Contracts with Customers". 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

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.

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 not held for trading.

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 is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest 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 (see below). For financial assets that have subsequently become credit-impaired, interest 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 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.

(ii) 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 or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset, which is included in the “other gains and losses” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets and financial guarantee contracts 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 is 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. The ECL on these assets are assessed using a provision matrix with appropriate groupings.

For all other instruments (including financial guarantee contracts, other receivables, amount due from an associate, pledged bank deposit and bank balances), the Group measures the loss allowance equal to 12m ECL, unless when 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

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, the credit default swap prices for the debtor;
- 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;
- 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk of financial assets 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 aforegoing, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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).

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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 *(Continued)*

(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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

Lifetime ECL for trade receivables and receivables from customers of consumer finance service are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

Where ECL is estimated using a provision matrix, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade and other receivables and receivables from customers of consumer finance service where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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 financial 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 equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

(i) the amount of loss allowance determined in accordance with HKFRS 9; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make 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 are the key assumptions concerning the future, and other key sources 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Useful lives and impairment assessment of property, plant and equipment and right-of-use assets relevant to hotel operations

The management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment and right-of-use assets relevant to hotel operations. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and right-of-use assets relevant to hotel operations of similar nature and functions. The management of the Group will increase the depreciation charge where useful lives are expected to be shorter than expected. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. Determining whether the property, plant and equipment and right-of-use assets relevant to hotel operations is impaired requires an estimation of the recoverable amount, which is the higher of the value in use or fair value less costs of disposal. The Group engages independent property valuer to estimate the fair value less cost of disposal of the property, plant and equipment and right-of-use assets relevant to hotel operation. Impairment loss will be recognised when the recoverable amounts are lower than the carrying amounts. As at 31st July, 2021, the carrying amounts of property, plant and equipment and right-of-use assets relevant to hotel operations are HK$234,514,000 (2020: HK$226,907,000) and HK$31,683,000 (2020: HK$ 30,582,000) respectively without impairment recognised.

Properties held for sale

An assessment of the net realisable value of the properties held for sale is made at the end of each reporting period. Such assessment is made based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making the assessment, the Group's management has made estimates concerning estimated future selling prices to be generated by the completed properties with reference to the recent selling prices of similar properties in the same project or relevant locations and made deductions for the estimated selling expenses, as appropriate. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Write-down is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted selling expenses, as appropriate, recognition of a material impairment loss may result. As at 31st July, 2021, the carrying amount of properties held for sale is HK$78,881,000 (2020: HK$128,576,000), with no write-down recognised.

Provision of ECL for receivables from customers of consumer finance service

Receivables from customers of consumer finance service which are credit-impaired are assessed for ECL individually. In addition, the Group estimates ECL on remaining receivables from customers of consumer finance service on a collective basis. The provision rates are based on the Group's historical default rates over the expected life of the debtors and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's receivables from customers of consumer finance service are disclosed in note 37.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2021 HK$'000	2020 HK$'000
Type of goods or services		
Revenue from hotel operations		
– Room rentals	**5,910**	12,769
– Food and beverage sales	**256**	20,874
– Rendering of ancillary services	**106**	78
Revenue from sale of properties held for sale	**109,875**	66,597
	116,147	100,318
Geographic markets		
Mainland China	**116,147**	100,318
Timing of revenue recognition		
A point in time	**110,237**	87,549
Overtime	**5,910**	12,769
	116,147	100,318

The Group applies the practical expedient that information regarding the transaction prices allocated to the remaining performance obligation for contracts with customers is not disclosed as the original expected duration of the contracts with customers for hotel operations and sale of properties is less than one year.

During the year ended 31st July, 2021, revenue from property sales amounting to HK$12,074,000 (2020: HK$22,476,000) was included in the contract liabilities at the beginning of the year, which contributed to the decrease in contract liabilities. As at 1st August, 2019, contract liabilities amounted to HK$32,782,000.

In response to the preventive policies and measures taken by local governments to prevent the spread of the Covid-19 epidemic, the Group's hotel operation in Mainland China has been suspended since January 2020. The operation of the hotel had partly resumed in early August 2020 but under the impact of the pandemic, occupancy rate remains at a low level and revenue from hotel operations decreased during the current year.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM"), representing the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised. The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

Hotel operations	–	hotel business and its related services
Financial investment	–	trading of listed securities and other financial instruments
Property	–	sale of properties held for sale

Information regarding these segments is reported below.

Segment revenue and results

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

For the year ended 31st July, 2021

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consolidated HK$'000
GROSS PROCEEDS	6,272	595,873	109,875	712,020
SEGMENT REVENUE	6,272	–	109,875	116,147
SEGMENT (LOSS) PROFIT	(10,353)	(5,863)	41,145	24,929
Unallocated income				16,307
Unallocated expenses				(41,745)
Finance costs				(257)
Share of loss of an associate				(16,360)
Loss before taxation				(17,126)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31st July, 2020

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consolidated HK$'000
GROSS PROCEEDS	33,721	217,325	66,597	317,643
SEGMENT REVENUE	33,721	–	66,597	100,318
SEGMENT (LOSS) PROFIT	(34,146)	13,709	20,629	192
Unallocated income				6,330
Unallocated expenses				(27,143)
Finance costs				(18)
Gain on deregistration of a subsidiary				1,138
Share of loss of an associate				(21,224)
Gain on transfer of other payable				10,980
Loss before taxation				(29,745)

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, gain on transfer of other payable, gain on deregistration of a subsidiary, central administration costs, directors' salaries, share of loss of an associate and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31st July, 2021

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**274,249**	**274,112**	**231,365**	**–**	**779,726**
Interest in an associate				**171,130**	**171,130**
Unallocated assets				**176,636**	**176,636**
Consolidated total assets					**1,127,492**
LIABILITIES					
Segment liabilities	**34,898**	**11,637**	**131,759**	**–**	**178,294**
Unallocated liabilities				**15,550**	**15,550**
Consolidated total liabilities					**193,844**

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31st July, 2020

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	264,921	217,283	271,217	–	753,421
Interest in an associate				200,111	200,111
Unallocated assets				242,848	242,848
Consolidated total assets					1,196,380
LIABILITIES					
Segment liabilities	35,743	144	94,422	–	130,309
Unallocated liabilities				130,613	130,613
Consolidated total liabilities					260,922

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than interest in an associate, financial assets at FVTOCI, deposit and prepayment for a life insurance, certain property, plant and equipment, certain right-of-use assets, amount due from an associate, certain other receivables, deposits and prepayments of the corporate offices, pledged bank deposit and certain bank balances and cash; and

- all liabilities are allocated to operating and reportable segments other than deposits and accrued charges of the corporate offices, amounts due to related parties and lease liabilities. Deferred tax liabilities related to the fair value adjustments are allocated to the hotel operations segment.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other information

Amounts included in the measure of segment results and segment assets:

For the year ended 31st July, 2021

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets (note)	–	–	–	–	20	20
Depreciation of property, plant and equipment	11,502	–	–	11,502	332	11,834
Depreciation of right-of-use assets	1,543	–	–	1,543	2,752	4,295
Decrease in fair value of financial assets at FVTPL	–	31,867	–	31,867	–	31,867
Loss (gain) on disposal of property, plant and equipment	123	–	–	123	(5)	118
Interest income from financial assets at FVTPL	–	21,123	–	21,123	–	21,123
Bank and other interest income	207	–	–	207	16,307	16,514

For the year ended 31st July, 2020

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets (note)	310	–	–	310	6,480	6,790
Depreciation of property, plant and equipment	10,891	–	–	10,891	352	11,243
Depreciation of right-of-use assets	1,420	–	–	1,420	264	1,684
Decrease in fair value of financial assets at FVTPL	–	7,671	–	7,671	–	7,671
Loss (gain) on disposal of property, plant and equipment	70	–	–	70	(25)	45
Gain on deregistration of a subsidiary	–	–	–	–	1,138	1,138
Interest income from financial assets at FVTPL	–	19,483	–	19,483	–	19,483
Bank and other interest income	856	–	–	856	3,446	4,302

Note: Additions to non-current assets represent the additions to property, plant and equipment and right-of-use assets.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's current operations are mainly located in Mainland China, Hong Kong and Macau. The Group's properties held for sale in the property division are located and carried out in Mainland China. Financial investment division is located and carried out in Hong Kong. Hotel operations are all located and carried out in Mainland China.

The Group's revenue from external customers based on the location of the operations at which the services were provided and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**3,109**	6,294
Macau	**–**	–	**171,130**	200,111
Mainland China	**116,147**	100,318	**266,259**	257,731
	116,147	100,318	**440,498**	464,136

Non-current assets excluded financial instruments and deposit and prepayment for a life insurance policy but included interest in an associate.

Information about major customers

Revenue from customers of the corresponding years contributing 10% of the total sales of the Group are as follows:

	Year ended	
	2021	2020
	HK$'000	HK$'000
Customer A (Revenue from property sale)	**14,759**	–
Customer B (Revenue from property sale)	**13,127**	–
	27,886	–

6. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Dividend income from financial assets at FVTPL	**5,483**	2,350
Decrease in fair value of financial assets at FVTPL	**(31,867)**	(7,671)
Gain on transfer of other payable (note)	**–**	10,980
Gain on deregistration of a subsidiary	**–**	1,138
	(26,384)	6,797

Note: Upon deregistration of a subsidiary, a payable to an independent third party was transferred to the non-controlling shareholder of the subsidiary, which was a non-cash transaction during the year ended 31st July, 2020.

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interests on lease liabilities	**116**	18
Interests on overdraft in brokers' account	**141**	–
	257	18

8. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Tax expense (credit) comprises:		
PRC enterprise income tax		
Current tax	**–**	–
Overprovision in prior year	**–**	(1,681)
	–	(1,681)
PRC land appreciation tax		
Current tax	**16,969**	7,646
	16,969	5,965
Deferred taxation (note 27)	**(4,641)**	(3,506)
	12,328	2,459

8. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for both years as the Company and subsidiaries did not generate any assessable profits in Hong Kong for the years or have available tax losses brought forward from prior years to offset against assessable profits generated during these two years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the PRC is 25% for both years.

The provision for PRC land appreciation tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

No provision for PRC enterprise income tax has been made for both years as the subsidiaries in the PRC did not generate any assessable profit for the years.

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

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(17,126)**	(29,745)
Tax credit at applicable Hong Kong Profits Tax rate	**(2,826)**	(4,908)
PRC land appreciation tax	**16,969**	7,646
Tax effect of PRC land appreciation tax	**(4,242)**	(1,912)
Tax effect of share of results of an associate	**2,699**	3,502
Tax effect of expenses not deductible for tax purpose	**6,606**	4,623
Tax effect of income not taxable for tax purpose	**(9,551)**	(7,207)
Tax effect of tax losses not recognised	**6,492**	2,559
Tax effect of utilisation of tax losses previously not recognised	**(6,467)**	(12)
Overprovision in prior year	**–**	(1,681)
Effect of a different tax rate of subsidiaries operating in another jurisdiction	**2,648**	(151)
Income tax expense for the year	**12,328**	2,459

Details of deferred taxation are set out in note 27.

9. LOSS FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**6,066**	6,166
Other staff costs		
– Salaries and other benefits	**11,596**	31,399
– Retirement benefit scheme contributions	**656**	1,752
Total employee benefit expenses	**18,318**	39,317
Auditor's remuneration	**2,160**	2,160
Cost of inventories recognised as an expense	**230**	10,005
Cost of properties sold recognised as an expense	**60,810**	42,872
Depreciation of property, plant and equipment included in:		
– other hotel operating expenses	**11,502**	10,891
– administrative expenses	**332**	352
Depreciation of right-of-use assets	**4,295**	1,684
Net foreign exchange loss	**239**	75
Loss on disposal of property, plant and equipment	**118**	45
Included in other income:		
Bank and other interest income	**(598)**	(1,745)
Interest income from receivables from customers of consumer finance service	**(15,916)**	(2,557)
Interest income from financial assets at FVTPL	**(21,123)**	(19,483)
Investment income from financial assets at FVTOCI	**–**	(2,683)
Government grants (note)	**(1,270)**	–
Rental income	**(3,536)**	(1,439)

Note: During the current year, the Group recognised government grants of HK$1,270,000 (2020: nil) in respect of Covid-19-related subsidies. The Group also received government grants as compensation of employee benefits expenses amounting to HK$657,000 (2020: HK$349,000) which have been offset against related expenses.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2020: seven) directors, including the Chief Executive of the Company, are as follows:

2021

	Executive directors				Independent non-executive directors			
	Mr. Sio HK$'000	Mr. Chu Nin Yiu, Stephen HK$'000	Mr. Chu Nin Wai, David HK$'000	Mr. Lau Chi Kan, Michael HK$'000	Mr. Leung Kam Fai HK$'000	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000	Total HK$'000
Fees	–	–	–	–	200	200	200	600
Other emoluments								
– Salaries and other benefits	2,619	2,811	–	–	–	–	–	5,430
– Retirement benefit scheme contributions	18	18	–	–	–	–	–	36
	2,637	2,829	–	–	200	200	200	6,066

2020

	Executive directors				Independent non-executive directors			
	Mr. Sio HK$'000	Mr. Chu Nin Yiu, Stephen HK$'000	Mr. Chu Nin Wai, David HK$'000	Mr. Lau Chi Kan, Michael HK$'000	Mr. Leung Kam Fai HK$'000	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000	Total HK$'000
Fees	–	–	–	–	200	200	200	600
Other emoluments								
– Salaries and other benefits	2,910	2,620	–	–	–	–	–	5,530
– Retirement benefit scheme contributions	18	18	–	–	–	–	–	36
	2,928	2,638	–	–	200	200	200	6,166

The above emoluments to executive directors were for their services in connection with the management of the affairs of the Company and the Group. The above emoluments to independent non-executive directors were for their services as directors of the Company. Mr. Chu Nin Yiu, Stephen is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During the years ended 31st July, 2021 and 2020, no directors waived any emoluments.

11. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, two (2020: two) were directors of the Company whose emoluments were included in note 10 above. The emoluments of the remaining three (2020: three) employees were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	**1,837**	2,041
Retirement benefit scheme contributions	**54**	54
	1,891	2,095

Their emoluments were within the following bands:

	2021 No. of employees	2020 No. of employees
Nil to HK$1,000,000	**3**	3

During the years ended 31st July, 2021 and 2020, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31st July, 2021 and 2020, nor has any dividend been proposed since the end of the reporting periods.

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2021 HK$'000	2020 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic earnings per share	**(34,068)**	(29,497)

	2021	2020
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**194,357,559**	194,337,559

No diluted earnings per share is presented as there are no dilutive potential ordinary shares during both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st August, 2019	334,116	2,886	104,917	35,290	4,483	481,692
Additions	–	–	427	340	244	1,011
Disposals	–	–	(1,918)	(843)	(459)	(3,220)
Currency realignment	(8,882)	(77)	(2,845)	(955)	(56)	(12,815)
At 31st July, 2020	325,234	2,809	100,581	33,832	4,212	466,668
Additions	–	–	–	20	–	20
Disposals	–	–	–	(411)	(1,593)	(2,004)
Currency realignment	27,170	242	8,537	2,874	175	38,998
At 31st July, 2021	352,404	3,051	109,118	36,315	2,794	503,682
DEPRECIATION						
At 1st August, 2019	97,974	1,030	103,882	30,335	3,741	236,962
Provided for the year	9,700	97	589	507	350	11,243
Eliminated on disposals	–	–	(1,918)	(773)	(459)	(3,150)
Currency realignment	(2,596)	(28)	(2,818)	(826)	(47)	(6,315)
At 31st July, 2020	105,078	1,099	99,735	29,243	3,585	238,740
Provided for the year	10,548	105	746	221	214	11,834
Eliminated on disposals	–	–	–	(411)	(1,393)	(1,804)
Currency realignment	8,754	95	8,495	2,493	153	19,990
At 31st July, 2021	124,380	1,299	108,976	31,546	2,559	268,760
CARRYING VALUES						
At 31st July, 2021	228,024	1,752	142	4,769	235	234,922
At 31st July, 2020	220,156	1,710	846	4,589	627	227,928

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The costs of the above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Hotel properties	Over 20 years to $33^1/_2$ years, representing the remaining lease term from acquisition date
Buildings	Over $9^1/_4$ years to 30 years, representing the remaining lease terms from acquisition date
Leasehold improvements	Over the remaining term of the relevant lease or 10% – $33^1/_3$% whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	$33^1/_3$%

The Group leases out certain part of the hotel properties (2020: certain part of the hotel properties) under operating leases. The leases typically run for an initial period of 1 to 5 years (2020: 3 to 5 years) with fixed lease payments.

15. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Motor vehicle HK$'000	Leased property HK$'000	Total HK$'000
Carrying amounts				
As at 31st July, 2021	31,683	366	2,397	34,446
As at 31st July, 2020	30,582	503	5,012	36,097
Depreciation charge				
For the year ended 31st July, 2021	1,543	137	2,615	4,295
For the year ended 31st July, 2020	1,420	46	218	1,684

	Year ended 31st July, 2021 HK$'000	Year ended 31st July, 2020 HK$'000
Expense relating to short-term leases	**22**	2,826
Total cash outflow for leases	**2,859**	2,924
Additions to right-of-use assets	**–**	5,779

15. RIGHT-OF-USE ASSETS *(Continued)*

For both years, the Group leases office for its operations. The leased office contract is entered into for a fixed term of two years. Besides, the Group had entered a three-year hire purchase agreement for a motor vehicle during the year ended 31st July, 2020.

In addition, the Group owns hotel properties and buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately because the payments made can be allocated reliably.

During the year, the Group also entered into short-term lease for staff quarters (2020: staff quarters and a warehouse).

As at 31st July, 2021 and 2020, there was no lease commitment for the short-term leases.

16. INTEREST IN AN ASSOCIATE

	2021 **HK$'000**	2020 HK$'000
Cost of unlisted investments in an associate	**229,455**	229,455
Share of post-acquisition results and other comprehensive income, net of dividend received	**(58,325)**	(29,344)
	171,130	200,111

At 31st July, 2021 and 2020, the Group had interest in the following associate:

Name of entity	Place of incorporation/ principal place of operation	Proportion of quoted capital held by the Group 2021	2020	Principal activities
Tin Fok Holding Company Limited ("Tin Fok") (note)	Macau	**32.5%**	32.5%	Hotel operations and property investment

Note: A director of the Company and the spouse of a director of the Company have beneficial interest in Tin Fok.

Included in the cost of investment in an associate is goodwill of HK$2,362,000 (2020: HK$2,362,000) arising on acquisition of Tin Fok.

16. INTEREST IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in the consolidated financial statements.

	2021 **HK$'000**	2020 HK$'000
Current assets	**1,011,243**	1,012,580
Non-current assets	**967,531**	1,011,147
Current liabilities	**(361,102)**	(420,078)
Non-current liabilities	**(1,138,356)**	(1,030,667)
Non-controlling interests	**39,969**	35,477
Net assets attributable to owners of Tin Fok	**519,285**	608,459
Revenue	**132,583**	139,184
Loss and total comprehensive expense for the year	**(50,339)**	(65,302)
Group's share of loss of an associate	**(16,360)**	(21,224)

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

	2021 **HK$'000**	2020 HK$'000
Net assets attributable to owners of Tin Fok	**519,285**	608,459
Proportion of the Group's ownership interest in Tin Fok	**32.5%**	32.5%
	168,768	197,749
Goodwill	**2,362**	2,362
Carrying amount of the Group's interest in Tin Fok	**171,130**	200,111

17. DEPOSIT AND PREPAYMENT FOR A LIFE INSURANCE POLICY

During the year ended 31st July, 2019, the Group entered into a life insurance policy (the "Policy") with an insurance company to insure Mr. Chu Nin Yiu, Stephen, a director of the Company.

Under the Policy, the beneficiary and policy holder is a wholly owned subsidiary of the Company and the total insured sum is United States dollars ("US$" or USD") 3,042,000 (equivalent to approximately HK$23,728,000). At inception of the Policy, the Group paid a gross premium of US$1,500,000 (equivalent to approximately HK$11,700,000). The insurance company will pay the Group variable return every year with minimum guaranteed interest rate of 3.9% per annum for the first to fifth years and 2.25% per annum afterwards during the effective period of the Policy. The Group can terminate the Policy at any time and can receive cash back at the date of termination based on the account value of the Policy ("Account Value"), which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the Policy. If termination is made between the first and the end of the fifteenth policy year, a specified amount of surrender charge will be deducted from the Account Value.

The directors of the Company consider that the Group may terminate the Policy at the end of the tenth policy year in 2028 and accordingly, there will be a specified surrender charge of an estimated amount of US$104,000 (equivalent to approximately HK$811,000) in accordance with the Policy.

The Policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the amortisation of the expected surrender charge at the end of the tenth policy year.

The directors of the Company consider that the expected life of the Policy remains unchanged from the date of initial recognition and the financial impact of the option to terminate the Policy was not significant.

The deposit and prepayments for a life insurance policy are denominated in USD, a currency other than the functional currency of the relevant group entity.

18. PROPERTIES HELD FOR SALE

The properties held for sale are in Mainland China.

	2021 **HK$'000**	2020 HK$'000
Properties for sale	**78,881**	128,576
Analysis of leasehold lands:		
Carrying amount	18,449	30,073

19. INVENTORIES

The inventories at 31st July, 2021 and 2020 represent food and beverage for hotel business.

20. TRADE AND OTHER RECEIVABLES

The hotel revenue is normally settled by cash or credit card. The Group allows an average credit period of 30 days to its trade customers of hotel business. The following is an aged analysis of trade receivables, presented based on invoice date:

	2021 **HK$'000**	2020 HK$'000
Trade receivables:		
0 to 30 days	**118**	3
31 to 60 days	**2**	21
61 to 90 days	**5**	4
91 days or above	**363**	329
	488	357
Prepayments and deposits	**1,503**	1,617
Other receivables (note)	**24,767**	1,603
	26,758	3,577

Note: Included in other receivables are receivable in relation to disposal of financial assets at FVTPL of HK$8,884,000 (2020: nil) and dividend receivable from an associate of HK$12,621,000 (2020: nil).

As at 1st August, 2019, trade receivables with customers amounted to HK$1,739,000.

Before granting credit term to new trade customer of hotel business, the Group assesses the potential customer's credit quality by investigating the customer's historical credit record and then defines the credit limit of that customer. Trade receivables are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are recoverable. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables at 31st July, 2021 are set out in note 37.

21. RECEIVABLES FROM CUSTOMERS OF CONSUMER FINANCE SERVICE

Receivables from customers of consumer finance service represent receivables from the provision of consumer loan to a large number of customers with loan to individual customer ranging from HK$2,000 to HK$100,000. The receivables are unsecured and carry interest at fixed rate which is determined based on factors including loan term, principal amount and credit history of individual customer. The amounts are to be settled by customers through installments over the loan term.

As at 31st July, 2021, impairment losses under ECL model amounting to HK$14,024,000 (2020: HK$2,409,000) was recognised. Details of impairment assessment are set out in note 37.

22. AMOUNT DUE FROM AN ASSOCIATE/AMOUNTS DUE TO RELATED PARTIES

(a) Amount due from an associate

The balance at the end of the reporting period is unsecured, non-interest bearing, non-trade in nature and repayable on demand.

Details of impairment assessment of amount due from an associate at 31st July, 2021 are set out in note 37.

(b) Amounts due to related parties

The amounts are unsecured, non-interest bearing, non-trade in nature and repayable on demand. They comprise amounts due to the following parties:

	Notes	2021 HK$'000	2020 HK$'000
Gao Wang Investments Limited ("Gao Wang")	(i)	**1,034**	57,550
Gold Champion Investments Limited ("Gold Champion")	(ii)	**1,034**	57,550
Mr. Si Tit Sang	(iii)	**6,941**	6,390
		9,009	121,490

Notes:

(i) Mr. Lai Kin Hak is the sole shareholder of Gao Wang, which holds 12.5% equity interest in Hotel Fortuna (HK) (as defined in note 38). Mr. Lai Kin Hak is a director of certain subsidiaries of the Company, including Hotel Fortuna (HK) and Hotel Fortuna Foshan (as defined in note 38).

(ii) Mr. Tang Fung is the sole shareholder of Gold Champion, which holds 12.5% equity interest in Hotel Fortuna (HK). Mr. Tang Fung is a director of certain subsidiaries of the Company, including Hotel Fortuna (HK).

(iii) Mr. Si Tit Sang is a director of certain subsidiaries of the Company, including Hotel Fortuna (HK) and Hotel Fortuna Foshan.

23. FINANCIAL ASSETS AT FVTPL

	2021 HK$'000	2020 HK$'000
Listed equity securities in Hong Kong	**117,711**	26,373
Listed debt securities in Hong Kong	**60,702**	57,298
Unlisted debt securities in Hong Kong	**10,101**	–
Listed debt securities overseas	**76,714**	133,612
	265,228	217,283

The fair values of the above investments were determined based on the quoted market bid prices and recent investment transactions at the close of business at the end of reporting period.

23. FINANCIAL ASSETS AT FVTPL *(Continued)*

The debt securities as at 31st July, 2021 are related to PRC-based real estate companies. Subsequent to the end of the reporting period, certain listed debt securities with carrying amount of HK$103,985,000 as at 31st July, 2021 were disposed of by the Group through the open market for proceeds of HK$82,001,000. The remaining listed debt securities with carrying amounts of HK$33,431,000 as at 31st July, 2021 recorded fair value of HK$23,440,000 as at the date of the consolidated financial statements were authorised for issue.

24. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

The pledged bank deposit represents deposit pledged to a bank to secure short-term banking facilities granted to the Group. The deposit carries fixed interest rate of 0.01% (2020: 0.01%) per annum. The pledged bank deposit will be released upon the release of the relevant banking facilities.

The bank balances and cash comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and are with original maturity of three months or less.

The Group's bank deposits carry interest at rates ranging from nil to 0.28% (2020: nil to 1.56%) per annum.

25. TRADE AND OTHER PAYABLES

The average credit period on purchases of goods is 30 to 120 days. An aged analysis of trade payables based on invoice date is as follows:

	2021 **HK$'000**	2020 HK$'000
Trade payables:		
0 to 30 days	**39**	21
31 to 60 days	**33**	8
61 to 90 days	**19**	5
91 days or above	**49**	465
	140	499
Accruals	**2,838**	2,979
Other payables (note)	**23,872**	8,348
	26,850	11,826

Note: The balance as at 31st July, 2021 included payable in relation to acquisition of financial assets at FVTPL amounting to HK$11,493,000 (2020: nil).

26. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Within one year	**2,671**	2,727
Within a period of more than one year but not more than two years	**307**	2,665
Within a period of more than two years but not more than five years	**–**	307
	2,978	5,699
Less: Amount due for settlement within 12 months shown under current liabilities	**(2,671)**	(2,727)
Amount due for settlement over 12 months shown under non-current liabilities	**307**	2,972

The weighted average incremental borrowing rates applied to lease liabilities ranged from 2.5% to 4.54% (2020: 2.5% to 4.54%).

27. DEFERRED TAX LIABILITY

The following are the major deferred tax liability recognised and movements thereon during the current and prior years.

	Fair value adjustments HK$'000 (note)
At 1st August, 2019	33,841
Currency realignment	(930)
Credit to profit or loss	(3,506)
At 31st July, 2020	29,405
Currency realignment	2,541
Credit to profit or loss	(4,641)
At 31st July, 2021	27,305

Note: The fair value adjustments represented the fair value changes on property, plant and equipment and leasehold land arising from the acquisition of subsidiaries in prior years.

At 31st July, 2021, the Group has unused tax losses of HK$314,460,000 (2020: HK$275,296,000) available to offset against future profits. No deferred tax assets have been recognised in respect of such tax losses, which may be carried forward indefinitely, due to unpredictability of future profit streams.

28. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1st August, 2019, 31st July, 2020 and 31st July, 2021	194,337,559	1,518,519

There is no movement in the Company's share capital for both years.

29. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution passed on 7th December, 2012, a share option scheme was adopted for the primary purpose of providing incentives to directors, employees and eligible participants. The scheme will expire on 6th December, 2022.

Under the scheme, the Board of Directors of the Company (the "Board") may grant options to directors, employees, consultants, advisers, agents, vendors, suppliers of goods or services and customers of the Company and its subsidiaries and entities in which the Group holds equity interest at the discretion of the Board pursuant to the terms of the scheme, to subscribe for shares of the Company at a price which shall not be less than the highest of (i) the closing price of a share of the Company listed on the Stock Exchange at the date of grant of the option; (ii) the average of the closing price of a share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options shall be granted under the scheme and any other share option schemes of the Company is 10% of the total number of shares in issue at the date of approval of adoption of the scheme. No director, employee or eligible participant may be granted options under the scheme which will enable him or her if exercise in full to subscribe for more than 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board, save that it shall not be more than 10 years from the date of grant subject to the terms of the scheme. Nominal consideration of HK$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

No share option was granted or remained outstanding under the scheme during both years.

30. PLEDGE OF ASSETS

Bank deposit of HK$644,000 (2020: HK$643,000) was pledged to banks to secure credit facilities to the extent of HK$600,000 (2020: HK$600,000) granted to the Group. No credit facilities (2020: HK$4,000) were utilised by the Group as at 31st July, 2021.

31. RETIREMENT BENEFIT SCHEMES

The Group has joined the MPF Scheme for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. 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 rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees employed by PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect of the retirement benefits schemes is to make the required contributions under the schemes.

The retirement benefit scheme contributions arising from the MPF Scheme and the PRC state-managed retirement benefit schemes recognised in profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes. During the year ended 31st July, 2021, contributions of the Group under the MPF Scheme and the PRC state-managed retirement benefit schemes amounted to HK$692,000 (2020: HK$1,789,000).

32. OPERATING LEASES

The Group as lessor

Certain of the Group's properties are rented to third parties for periods up to 5 years (2020: 5 years) at fixed predetermined amounts.

Lease payments receivables on leases are as followed:

	2021 **HK$'000**	2020 HK$'000
Within one year	**4,577**	2,734
In the second year	**4,626**	2,662
In the third year	**4,328**	2,553
In the fourth year	**1,138**	213
	14,669	8,162

33. FINANCIAL GUARANTEES

At 31st July, 2021, the Group provided guarantees of HK$31,171,000 (2020: HK$50,298,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company consider that the fair value on initial recognition and ECL at the end of reporting period was insignificant.

34. 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.

	Interest payable HK$'000	Lease liabilities HK$'000	Amounts due to related parties HK$'000
Balance at 1st August, 2019	–	–	163,529
New leases entered	–	5,712	–
Interest expenses	–	18	–
Financing cash flows	–	(31)	(41,934)
Currency realignment	–	–	(105)
Balance at 31st July, 2020	–	5,699	121,490
Interest expenses	141	116	–
Financing cash flows	(141)	(2,837)	(113,033)
Currency realignment	–	–	552
Balance at 31st July, 2021	–	2,978	9,009

35. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the Group's outstanding balances with related parties are set out in the consolidated statement of financial position and in notes 20 and 22.

(b) Compensation of key management personnel

The remuneration of directors, who are the key management personnel of the Group, during the year was as follows:

	2021 **HK$'000**	2020 HK$'000
Short-term benefits	**6,030**	6,130
Post-employment benefits	**36**	36
	6,066	6,166

The remuneration of the key management personnel is determined by the Board after considering recommendation from the Remuneration Committee, having regard to the performance of individuals and market trends.

36. 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 net debt, which include lease liabilities, amounts due to related parties disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTPL	**265,228**	217,283
Financial assets at amortised cost	**310,063**	356,515
Financial liabilities		
Amortised cost	**33,021**	130,337

(b) Financial risks management objectives and policies

The Group's major financial instruments are set out in (a) above and details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has foreign currency assets, including financial assets at FVTPL and bank balances which expose the Group to foreign currency risk.

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

	2021 HK$'000	2020 HK$'000
USD	**154,021**	225,041

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risks management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation in USD. The foreign currency risk is not significant as HKD is pegged with USD.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate listed debt securities and lease liabilities. The Group manages this fair value interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The directors of the Company consider that the Group's exposure is not significant as these interest-bearing bank balances are within a short maturity period.

Details of the Group's interest bearing financial instruments are disclosed in respective notes.

(iii) Other price risk

The Group is exposed to equity securities and bonds investments price risk arising from financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investments with different risks.

The Group's investments price risk is mainly concentrated on listed equity securities and bonds quoted on the Stock Exchange and Singapore Exchange Limited.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risk assuming all other variables were held constant, at the reporting date.

If prices of the financial assets at FVTPL had been 10% higher/lower, the Group's loss after taxation would decrease/increase by HK$26,523,000 (2020: HK$21,728,000) as a result of the changes in fair value of investments in listed equity securities and bonds at FVTPL.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risks management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the financial guarantees issued by the Group as disclosed in note 33.

Trade receivables arising from contracts with customers

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 based on a provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, grouped based on shared credit risk characteristics by reference to past default experience and current past due status of debtors.

As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure that relevant information about specific debtors is updated.

During the years ended 31st July, 2021 and 31st July, 2020, no impairment allowance was recognised for trade receivables based on the provision matrix.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risks management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Amount due from an associate

The Group regularly monitors the business performance of the associate. The Group's credit risks in this balance are mitigated through the power to participate the relevant activities of the associate. The directors of the Company believe that there are no significant increase in credit risk of this amounts since initial recognition and the Group assessed impairment based on 12m ECL. For the year ended 31st July, 2021 and 2020, the Group assessed the ECL for amount due from an associate was insignificant and thus no loss allowance was recognised.

Other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL for the year ended 31st July, 2021 and 2020.

Receivables from customers of consumer finance service

As part of the Group's credit risk management in relation to the receivables from customers of consumer finance service, the Group uses debtors' past due status to assess the impairment for its customers which are not credit-impaired because these customers consist of a number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Receivables from customers of consumer finance service with gross carrying amount of HK$59,951,000 (2020: HK$13,913,000) that is not credit-impaired are assessed on a collective basis. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Receivables from customers of consumer finance service that is credit-impaired, which was evident to management the debtor was in financial difficulty, with gross carrying amount of HK$7,742,000 (2020: HK$2,092,000) was assessed individually. Impairment allowance of HK$7,742,000 (2020: HK$2,092,000) was made on this credit-impaired debtor which was the differences between the gross carrying amount and the cash flow that the Group expects to receive.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risks management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Receivables from customers of consumer finance service (Continued)

The following table shows reconciliation of loss allowance recognised for receivables from customers of consumer finance service:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1st August, 2019	89	979	1,068
Net impairment loss recognised	1,341	–	1,341
Transfer to credit-impaired	(1,113)	1,113	–
As at 31st July, 2020	317	2,092	2,409
Net impairment loss recognised	12,016	–	12,016
Transfer to credit-impaired	(6,051)	6,051	–
Write-off	–	(401)	(401)
As at 31st July, 2021	6,282	7,742	14,024

Changes in the loss allowance for receivables from customers of consumer finance service are mainly due to the advance of new receivables during the year.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risks management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances is considered to be insignificant.

Financial guarantee contracts

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK$31,171,000 as at 31st July, 2021 (2020: HK$50,298,000). At the end of the reporting period, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. Details of the financial guarantee contracts are set out in note 33.

For properties sold, while the ownership certificate of the respective properties are not yet received by the customers, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance for a maximum amount of up to 70% of their total purchase price of the property. If a customer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. The mortgage facilities will be secured by the properties, whose market prices are generally higher than the guaranteed amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risks 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 management to finance its operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. For non-derivatives financial liabilities, the tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest dates on which the Group can be required to pay.

Liquidity tables

	Effective interest rate %	Repayable on demand/less than 1 month HK$'000	1 month to 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.7.2021 HK$'000
2021							
Trade and other payables	–	24,012	–	–	–	24,012	24,012
Amounts due to related parties	–	9,009	–	–	–	9,009	9,009
Lease liabilities	2.76	246	2,467	316	–	3,029	2,978
		33,267	2,467	316	–	36,050	35,999
Financial guarantees	–	31,171	–	–	–	31,171	–

	Effective interest rate %	Repayable on demand/less than 1 month HK$'000	1 month to 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.7.2020 HK$'000
2020							
Trade and other payables	–	8,847	–	–	–	8,847	8,847
Amounts due to related parties	–	121,490	–	–	–	121,490	121,490
Lease liabilities	2.67	131	2,706	2,713	316	5,866	5,699
		130,468	2,706	2,713	316	136,203	136,036
Financial guarantees	–	50,298	–	–	–	50,298	–

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

37. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value at 31st July, 2021 HK$'000	Fair value at 31st July, 2020 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs and sensitivity analysis
Listed equity securities at FVTPL	**117,711**	26,373	Level 1	Quoted bid prices in active market	N/A
Listed debt securities at FVTPL	**137,416**	190,910	Level 1	Quoted bid prices in active market	N/A
Unlisted debt securities at FVTPL	**10,101 (note)**	–	Level 2	Fair value derived with reference to recent transactions	N/A

Note: For the relevant financial asset acquired during the year, the quoted bid price was no longer available in active market, therefore, the valuation technique for the relevant asset was changed and the fair value measurement was transferred from level 1 to level 2.

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

Fair value of financial instruments that are not measured at fair value on a recurring basis

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

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st July, 2021 and 2020 are as followings:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2021 %	2020 %	2021 %	2020 %	
Ahead Company Limited	Hong Kong	HK$2	100	100	–	–	Trading of securities
Evergood Management Limited	Hong Kong	HK$2	100	100	–	–	Investment holding
Fame Asset Limited	Hong Kong	HK$1	100	100	–	–	Provision of corporate management services
Hotel Fortuna (Hong Kong) Company Limited ("Hotel Fortuna (HK)")	Hong Kong	HK$10,000	75	75	–	–	Investment holding
Shiny Rising Limited	Hong Kong	HK$1	100	100	–	–	Provision of consumer finance services
Top Universal Management Limited	Hong Kong	HK$2	100	100	–	–	Investment holding
佛山市財神酒店有限公司 ("Hotel Fortuna Foshan") (note)	PRC	US$63,920,000	–	–	75	75	Hotel operations and property development

Note: This subsidiary is a limited liability company (Taiwan, Hong Kong or Macau legal person sole investment) established in PRC.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the British Virgin Islands ("BVI"). The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2021	2020
Investment holding	BVI	**5**	5
	Hong Kong	**1**	1
Inactive	BVI	**2**	2
	Hong Kong	**5**	5
		13	13

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
				HK$'000	HK$'000	**HK$'000**	HK$'000
Hotel Fortuna Group (note)	Hong Kong	**25%**	25%	**4,616**	(3,993)	**(35,833)**	(47,360)
Individually immaterial subsidiaries with non-controlling interests						**(1,017)**	(1,015)
						(36,850)	(48,375)

Note: Hotel Fortuna (HK) is an investment holding company and its wholly owned subsidiary, Hotel Fortuna Foshan, is engaged in hotel operations and property development in Foshan, the PRC. Hotel Fortuna (HK) and Hotel Fortuna Foshan are collectively referred to as the "Hotel Fortuna Group".

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Hotel Fortuna Group

	2021 HK$'000	2020 HK$'000
Current assets	**247,194**	285,481
Non-current assets	**266,289**	257,882
Current liabilities	**(629,510)**	(703,399)
Non-current liabilities	**(27,305)**	(29,405)
Equity attributable to owners of the Company	**(107,499)**	(142,081)
Non-controlling interests	**(35,833)**	(47,360)

	For the year ended 31st July, 2021 HK$'000	 2020 HK$'000
Revenue	**116,147**	100,318
Profit (loss) attributable to owners of the Company	**13,849**	(11,981)
Profit (loss) attributable to non-controlling interests	**4,616**	(3,993)
Profit (loss) for the year	**18,465**	(15,974)
Other comprehensive income (expense) attributable to owners of the Company	**20,733**	(9,345)
Other comprehensive income (expense) attributable to non-controlling interests	**6,911**	(3,115)
Other comprehensive income (expense) for the year	**27,644**	(12,460)
Total comprehensive income (expenses) attributable to owners of the Company	**34,582**	(21,326)
Total comprehensive income (expense) attributable to non-controlling interests	**11,527**	(7,108)
Total comprehensive income (expense) for the year	**46,109**	(28,434)
Net cash inflow from operating activities	**114,432**	8,200
Net cash inflow from (outflow used in) investing activities	**281**	(1,106)
Net cash outflow used in financing activities	**(113,033)**	(40,934)
Net cash inflow (outflow)	**1,680**	(33,840)

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 **HK$'000**	2020 HK$'000
Non-current assets		
Investments in subsidiaries	**10**	10
Amounts due from subsidiaries	**866,974**	854,630
	866,984	854,640
Current assets		
Deposit	**7**	7
Financial assets at FVTPL	**28,503**	26,373
Bank balances	**41,225**	57,526
	69,735	83,906
Current liabilities		
Other payables	**1,980**	1,999
Amounts due to subsidiaries	**15,606**	15,703
	17,586	17,702
Net current assets	**52,149**	66,204
Net assets	**919,133**	920,844
Capital and reserves		
Share capital	**1,518,519**	1,518,519
Reserves (note)	**(599,386)**	(597,675)
Total equity	**919,133**	920,844

Note: Movements of the Company's reserves during the current and prior years are as follows:

	Capital reserve HK$'000	**Share option reserve** HK$'000	**Capital reduction reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1st August, 2019	2,127	23,542	170,583	(738,282)	(542,030)
Loss and total comprehensive expense for the year	–	–	–	(55,645)	(55,645)
At 31st July, 2020	2,127	23,542	170,583	(793,927)	(597,675)
Loss and total comprehensive expense for the year	–	–	–	(1,711)	(1,711)
At 31st July, 2021	2,127	23,542	170,583	(795,638)	(599,386)

Under the capital reduction exercise carried out in October 2002, the Company undertook to maintain a capital reduction reserve account. This account would not be treated as realised profits and should be treated as reserve of the Company, which should not be distributable until or unless the creditors of the Company as at the date of the sanction of the reduction of capital (the "Creditors") were fully settled, provided for by the Company or the remaining Creditors and each of them did consent by which time the account would be cancelled and provided that prior to the cancellation of the account, the Company might apply it in paying up unissued shares of the Company to be issued to members as fully paid bonus shares.

RESULTS

	Year ended 31st July,				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**116,147**	100,318	432,212	316,228	82,444
Loss on financial investments	**(26,384)**	(5,321)	(10,975)	(14,484)	(5,045)
	89,763	94,997	421,237	301,744	77,399
(Loss) profit before taxation	**(17,126)**	(29,745)	216,553	62,088	53,902
Income tax (expense) credit	**(12,328)**	(2,459)	(55,149)	(13,064)	1,050
(Loss) profit for the year	**(29,454)**	(32,204)	161,404	49,024	54,952
Attributable to:					
Owners of the Company	**(34,068)**	(29,497)	149,957	37,188	60,252
Non-controlling interests	**4,614**	(2,707)	11,447	11,836	(5,300)
	(29,454)	(32,204)	161,404	49,024	54,952

ASSETS AND LIABILITIES

	At 31st July,				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,127,492**	1,196,380	1,325,598	1,287,242	1,473,057
Total liabilities	**(193,844)**	(260,922)	(344,624)	(448,199)	(682,763)
	933,648	935,458	980,974	839,043	790,294
Equity attributable to owners of the Company	**970,498**	983,833	1,023,538	891,010	854,006
Non-controlling interests	**(36,850)**	(48,375)	(42,564)	(51,967)	(63,712)
	933,648	935,458	980,974	839,043	790,294

Major Properties

Particulars of major properties held by the Group at 31st July, 2021 are as follows:

(a) Hotel properties:

Location	Use	Term of lease
Hotel Fortuna Foshan No. B82 Lecong Avenue East, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, People's Republic of China	Hotel operations	Medium-term lease

(b) Properties held for sale:

Location	Use	Stage of completion	Date of completion	Site/area (approx.) sq. ft.	Group interest
No. A173 Zhen'an Road, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, People's Republic of China	Residential properties for sale	Completed	February 2018	132,914	75%