CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

ANNUAL REPORT **2022**

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Tsui Wing Tak *(Chairman)*
(appointed on 15th February, 2022)
Chu Nin Yiu, Stephen *(Chief Executive Officer)*
Sio Tak Hong (resigned on 29th December, 2021)
Chu Nin Wai, David (resigned on 15th February, 2022)
Lau Chi Kan, Michael
(resigned on 15th February, 2022)

Non-Executive Director

Lam Yiu Cho (appointed on 15th February, 2022)

Independent Non-Executive Directors

Yeung Chi Wai (appointed on 1st April, 2022)
Wong Kwong Fat
Chan Shu Yan, Stephen
(appointed on 15th June, 2022)
Li Sze Kuen, Billy (resigned on 1st April, 2022)
Leung Kam Fai (resigned on 15th June, 2022)

COMPANY SECRETARY

Cham Wing Yeung, Andrew

AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen
Cham Wing Yeung, Andrew

AUDIT COMMITTEE

Yeung Chi Wai *(Chairman)*
(appointed on 1st April, 2022)
Wong Kwong Fat
Chan Shu Yan, Stephen
(appointed on 15th June, 2022)
Li Sze Kuen, Billy (resigned on 1st April, 2022)
Leung Kam Fai (resigned on 15th June, 2022)

REMUNERATION COMMITTEE

Chan Shu Yan, Stephen *(Chairman)*
(appointed on 15th June, 2022)
Wong Kwong Fat
Yeung Chi Wai (appointed on 1st April, 2022)
Chu Nin Yiu, Stephen
Leung Kam Fai (resigned on 15th June, 2022)
Li Sze Kuen, Billy (resigned on 1st April, 2022)

NOMINATION COMMITTEE

Wong Kwong Fat *(Chairman)*
Yeung Chi Wai (appointed on 1st April, 2022)
Chan Shu Yan, Stephen
(appointed on 15th June, 2022)
Chu Nin Yiu, Stephen
Li Sze Kuen, Billy (resigned on 1st April, 2022)
Leung Kam Fai (resigned on 15th June, 2022)

LEGAL ADVISER

Dechert

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
Industrial and Commercial Bank of
China (Asia) 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

13th Floor, Bonham Circus
40 Bonham Strand
Sheung Wan
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, 2022.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$831.1 million for the year ended 31st July, 2022 (2021: HK$727.9 million), which comprised gross proceeds from sales of properties of HK$55.7 million (2021: HK$109.9 million), consumer finance service of HK$27.5 million (2021: HK$15.9 million), hotel operations of HK$4.1 million (2021: HK$6.3 million) and sales of securities and other business segments totaling HK$743.8 million (2021: HK$595.8 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2022 was HK$98.3 million (2021: HK$34.1 million).

The increase in loss for the year ended 31st July, 2022 was mainly attributable to (i) decrease in revenue from sale of properties by over 49%; (ii) fair value loss of the Group's financial investment portfolio of HK$45.6 million (2021: HK$31.9 million) and decrease in interest income from such investment by HK$16.8 million to HK$4.3 million (2021: HK$21.1 million); and (iii) recognition of land appreciation tax of HK$22.6 million upon receipt of tax clearance in relation to properties sales up to 31st October, 2021.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31st July, 2022, the Group had bank balances and cash of HK$336.8 million (2021: HK$222.4 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK$52.6 million (2021: HK$265.2 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2022 (2021: Nil).

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 18.8% at 31st July, 2022 (2021: 20.0%).

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, 2022, the principal activities of the Group are property development, consumer finance, 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$55.7 million (2021: HK$109.9 million) has been recognised for the year ended 31st July, 2022. At 31st July, 2022, deposits for units pending hand over of approximately HK$2.0 million (2021: HK$32.9 million) was recorded and the unsold saleable floor area of approximately 7.3% of this high-rise residential development, which mainly attributable to approximately 170 car park space, is expected to further contribute to the Group's revenue in the near term.

Consumer finance

The Group launched a money lending service in 2018 facilitated by a money lender licence held by the Group. The revenue from such business continues to grow over the years under the current economic environment with potential to become a significant source of income of the Group. As such, the executive directors of the Company changed the operation strategies and placed more focus on developing consumer finance business during the year and considered such income as part of the revenue of the Group for the year.

The service consists 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 with approximately 3,400 users as at 31st July, 2022 (2021: approximately 3,500 users). The service maintained a net loan portfolio of HK$67.2 million as at 31st July, 2022 (2021: HK$54.9 million) with loans to individual users ranging from HK$2,000 to HK$120,000 (2021: HK$2,000 to HK$100,000). During the year, the loans recorded interest income of HK$27.5 million (2021: HK$15.9 million) and impairment losses under expected credit loss model on receivables amounting to HK$15.2 million (2021: HK$12.0 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 revenue of the Group.

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. During the year ended 31st July, 2022, the hotel's occupancy rate dropped to approximately 6.6% (2021: 11.1%) and recorded a turnover of approximately HK$4.1 million in compared to turnover of approximately HK$6.3 million in the year ended 31st July, 2021.

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 recorded occupancy rate of approximately 55.4% (2021: 72.4%) and turnover of approximately HK$89.5 million during the year in compared to approximately HK$132.6 million in 2021.

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 and derivatives instruments. 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, 2022, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK$52.6 million (2021: HK$117.7 million) and debt securities of no carrying value (2021: HK$147.5 million).

Listed equity securities of HK$52.6 million (2021: HK$117.7 million), representing approximately 100.0% (2021: 44.4%) of the investment portfolio, consist of 3 equity securities (2021: 6 equity securities) 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 3.5% (2021: 4.5%) of the Group's total assets, and that of the three (2021: five) largest equity securities held represents approximately 5.4% (2021: 10.4%). Approximately 90.0% (2021: 64.7%) of these equity securities are constituents of the Hang Seng Index. As at 31st July, 2021, approximately 24.2% of the equity securities held by the Group 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 loss of HK$16.1 million (2021: fair value gain of HK$3.0 million) and dividend income of HK$7.2 million (2021: HK$5.5 million).

As at 31st July, 2022, the Group had no listed (2021: 14) and 1 unlisted (2021: 1) debt securities representing approximately 0.0% (2021: 55.6%) of the investment portfolio. The debt security held as at 31st July, 2022 was defaulted and has no carrying value. As at 31st July, 2021, the mark to market valuation of the largest single debt security within the portfolio represents approximately 2.3% of the Group's total assets, and that of the five largest debt securities held represents approximately 7.7% of the Group's total assets. The remaining 10 debt securities held as at 31st July, 2021, represent 5.3% of the Group's total assets, each ranging from 0.3% to 0.9%. All 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$23.5 million (2021: HK$34.9 million) and interest income of HK$4.3 million (2021: HK$21.1 million).

During the year, the Group also entered into certain derivative contracts in relation to the listed equity securities held by the Group. As at 31st July, 2022, the Group has derivative liabilities of HK$1.0 million and recorded a fair value loss of HK$1.0 million for the year.

Chairman's Statement

DETAILS OF THE QUALIFIED OPINION

The consolidated financial statements of the Group for the year ended 31st July, 2022 had been subject to qualified opinion of Deloitte Touche Tohmatsu, the independent auditor of the Company, on the basis as set out in the paragraph headed "Basis for qualified opinion" in the independent auditor's report in this annual report. During the course of the audit, the independent auditor of the Company considered that it was unable to obtain sufficient appropriate audit evidence it considered necessary to assess (i) the expected credit loss ("ECL") on loan from Tin Fok Holding Company Limited ("Tin Fok"), a 32.5% owned associate of the Group, to Mr. Sio Tak Hong ("Mr. Sio") as at 31st July, 2022 and the impairment on property, plant and equipment in respect of the hotel operations of Tin Fok and its subsidiary (collectively, "Tin Fok Group") as at 31 July, 2022 in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022, (ii) impairment on interest in an associate as at 31st July, 2022, and (iii) ECL on amount due from an associate and dividend receivable from an associate as at 31st July, 2022. The independent auditor of the Company also considered that there are no other satisfactory audit procedures that it could adopt to satisfy themselves that (i) the loan to Mr. Sio as at 31st July, 2022, property, plant and equipment in respect of Tin Fok Group's hotel operations as at 31st July, 2022 and the loss of Tin Fok Group for the year ended 31st July, 2022 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022; and hence interest in an associate as at 31st July, 2022 and share of loss of an associate for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group, (ii) impairment assessment on interest in an associate in the consolidated financial statements of the Group, and (iii) amount due from an associate and dividend receivable from an associate at 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements (the "Qualified Opinion").

Management's view on the qualified opinion

In relation to the Qualified Opinion, the management of the Company (the "Management") was of the following view:

Interest in an associate

(1)(a) In respect of the loan from Tin Fok to Mr. Sio

Based on current information available to the management of Tin Fok Group (the "Tin Fok Management"), Tin Fok Management believes that the criminal allegations against Mr. Sio would not have any material adverse impact on Mr. Sio's personal financial position nor affect Tin Fok Group's operations. Furthermore, given the loan has been novated to an entity which is majority owned by Mr. Sio's family with substantive assets and the repayment date of such loan has been extended to September 2023, Tin Fok Management is of the view that there would be no significant increase in the credit risks of the loan, and therefore no ECL allowance was recognised. Based on the information currently available to them, the Management agrees with the views and rationales of the Tin Fok Management above.

However, the Management acknowledges and understands as the above involves subjective judgment of the financial condition of Mr. Sio, and the independent auditor of the Company was of the view that they were unable to obtain sufficient appropriate audit evidence to assess the recoverability of the loan to Mr. Sio as at 31st July, 2022 in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022. As a result, with respect to the type of audit opinion issued by the auditor, the Management acknowledged and agreed with the audit opinion that the auditor had issued based on their professional and independent assessment.

(1)(b) The impairment on property, plant and equipment in respect of the hotel operations of Tin Fok Group

In respect of the key assumptions for the 5-year discounted cash flow projection in connection the estimation of the value in use of Hotel Fortuna, Macau (the "Hotel"), the Management understands from the Tin Fok Management that the 5-year discounted cash flow projection was prepared with the assumption that the average occupancy rate of the Hotel would recover to pre-COVID-19 levels in 2024, the average room rate of the Hotel would reach pre-COVID-19 levels in 2023, and the projection was discounted at a rate of 7.5%. The assumptions were determined by the Tin Fok Management based on their understanding of the latest economic and financial environment in Macau, and has taken into account the easing of the entry requirements of PRC citizens in Macau (including the expectation that the Macanese government would be granting e-visas to PRC citizens to travel to Macau from November 2022 onwards, which would likely improve the performance of Macau's tourism and gambling industries). The Tin Fok Management also considered such assumptions to be prudent as the assumptions for the near term remain at a moderate discount to the pre-COVID-19 performance of the Hotel. The Management has considered the key assumptions provided by Tin Fok Management above and agreed that they are reasonable and achievable assumptions taking into account the pre-COVID-19 financial performance of Tin Fok Group and the expected future development of the Macau economy.

The Management understands that as the projection and assessment above involve subjective assumption of the future performance of the Hotel's operation, the independent auditor of the Company is of the view that they were unable to obtain sufficient appropriate audit evidence to support the key assumptions of the discounted cash flow projection. As such, the independent auditor of the Company requested for the assessment of the fair value less cost of disposal of the relevant property, plant and equipment of Tin Fok Group ("FVLCOD") as an alternative approach to conduct impairment assessment of the property, plant and equipment of Tin Fok Group.

The Management understands from the Tin Fok Management that it has considered that the value-in-use of the Hotel, as prepared based on the discounted cash flow projection above, was higher than the carrying value, and therefore they considered there has been no need to consider the FVLCOD. Furthermore, the Management was also given to understand by the Tin Fok Management that the severity of the COVID-19 situation in Macau for the year ended 31st July, 2022 has rendered comparable transaction figures less available, which would in turn affect Tin Fok Management's ability to prepare such an assessment to produce a valuation that fairly reflects the value of the Hotel, and they considered the value-in-use of the Hotel as calculated based on the above discounted cash flow projection would be a more appropriate method to value the Hotel as an operating asset of the Tin Fok Group. The Management agrees with the view and rationale of the Tin Fok Management's above.

In light of the above, the independent auditor of the Company is of the view that given (i) they are not given sufficient appropriate audit evidence to support the key assumptions under the discounted cash flow projection and (ii) no FVLCOD assessment was provided, they were unable to obtain sufficient appropriate audit evidence to assess the impairment on the Hotel as at 31st July, 2022 in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022. As a result, with respect to the type of audit opinion issued by the auditor, the Management acknowledged and agreed with the audit opinion that the auditor had issued based on their professional and independent assessment.

(2) Impairment assessment on interest in Tin Fok Group

As indicated above, the Management finds the view and rationale of Tin Fok Management reasonable in relation to the assessment of the loan to Mr. Sio and the value in use of the Hotel as at 31st July, 2022 in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022, and has adopted the same projection and assessments in the consolidated financial statements of the Group for the year ended 31st July, 2022.

Nonetheless, the Management understands that as the considerations and projection above involve subjective assumption of the financial condition of Mr. Sio and future performance of the Hotel's operation, the independent auditor of the Company is of the view that they were unable to obtain sufficient appropriate audit evidence to support such considerations and projection, and in turn sufficient appropriate audit evidence are not available to support the value of the interest in Tin Fok Group. As a result, with respect to the type of audit opinion issued by the auditor, the Management acknowledged and agreed with the audit opinion that the auditor had issued based on their professional and independent assessment.

Amount due from and dividend receivable from Tin Fok Group

Amount due from Tin Fok Group of approximately HK$8.0 million represents interests-free amount payable from Tin Fok, which operates the Hotel, to 佛山市財神酒店有限公司, a 75% owned subsidiary of the Group which operates Hotel Fortuna, Foshan. Given the two hotels operate under the same "Hotel Fortuna" brand, the outstanding balance between the two entities mainly resulted from receipt of payment from travel agency for room reservation and payment of hotel operation related expenses among the two entities. There are no fixed terms of repayment but settlement between the two entities were noted from time to time to lower a positive or negative balance. The amounts accrued have changed over time due to the ongoing operations of the two Hotels, and there has been repayment by Tin Fok to the Group in 2017 and 2019 to settle part of the ongoing balance.

Dividend receivable of approximately HK$12.6 million represent dividend from Tin Fok recorded in the Group's consolidated financial statements. The amount is interest free and has no fixed term of repayment. Same amount of dividend has been received from Tin Fok in financial years ended 31st July, 2018 and 31st July, 2019, respectively.

As indicated above, the Management has accepted the assumptions and projection as adopted by Tin Fok Management in their accounts and believes it reflects the financial position of the Tin Fok Group. Taking into account the financial position of the Tin Fok Group as at 31st July, 2022 and the size of the amounts receivable from Tin Fok Group, the Management does not consider that there are factors which would lead to any significant increase in the credit risk of the amount due form Tin Fok and dividend receivable from Tin Fok.

Nonetheless, the Management acknowledges that given such view involves subjective assumptions of the credit risks of the relevant amounts, the independent auditor of the Company is of the view that they were unable to obtain sufficient appropriate audit evidence. As a result, with respect to the type of audit opinion issued by the auditor, the Management acknowledged and agreed with the audit opinion that the auditor had issued based on their professional and independent assessment.

View of Audit Committee

The Audit Committee had critically reviewed the matter after discussion with the auditor and the Management and has actively participated in the audit process, including carrying out independent investigation regarding the criminal allegations against Mr. Sio, and assessed that the criminal allegations do not implicate the Company or its subsidiaries. The Audit Committee also understood that whilst the Group has significant influence over Tin Fok as an associate company, the Group did not have control over Tin Fok's management and operations and would have to rely on the cooperation of Tin Fok in providing necessary documents and information for the purpose of the audit.

The Audit Committee agreed with the Management's position concerning the major judgment areas, and acknowledged that given the above positions involves assumptions of subjective nature, the independent auditor of the Company is of the view that they were unable to obtain sufficient appropriate audit evidence. As a result, with respect to the type of audit opinion issued by the auditor, the Audit Committee acknowledged and agreed with the audit opinion that the auditor had issued based on their professional and independent assessment.

Action plan of the group to address the qualified opinion

With a view to resolve the qualified opinion, the Management intends to undertake the following actions within the financial year of the Group ending 31st July, 2023:

A. the Management intends to continue the discussion and communication with Tin Fok with a view to obtain further information concerning (i) the novated loan with an aim to ease the auditor's concern on the credit risks of the loan to Mr. Sio and (ii) the ongoing performance of the Hotel to resolve the lack of sufficient appropriate audit evidence on the key assumptions for the cash flow projection to be used to estimate the value in use of the Hotel; and

B. taking note of the credit risks concern as raised by the auditor, the Company is actively seeking opportunities and approaching potential buyers, including but not limited to the existing shareholders of Tin Fok such as Mr Sio's family members, or independent third party to acquire the Group's interest in Tin Fok as well as the corresponding amount receivables. The Company believes that such disposal would resolve the existing credit risks concerns of the auditor, and would keep the shareholders of the Company informed of any updates of such proposal. As of the date of this report, no binding agreement in relation to the proposed disposal has been entered into.

The Management has been and is continuing to obtain further information from Tin Fok with a view to agreeing with the independent auditor of the Company in relation to the appropriate ECL allowance (if any). As such, other than the audit qualification on the 2022 comparative figures (and the corresponding profit and losses resulting from the qualification of the opening balances for 2023), the Management expects that there will not be any further audit modifications on the above matters in the auditor's report of the Group for the financial year ending 31st July, 2023.

If the Company's interest in and receivables from Tin Fok were disposed of during the year ended 31st July, 2023, the Management are of the view that, and the independent auditor of the Company also agrees that, other than the audit qualification on the 2022 comparative figures (and the corresponding profit and losses resulting from the qualification of the opening balances for 2023), further audit qualification on the above matters would unlikely arise in the auditor's report of the Group for the financial year ending 31st July, 2023.

Chairman's Statement

CONTINGENT LIABILITIES

At 31st July, 2022, the Group provided guarantees of approximately HK$16.0 million (2021: HK$31.2 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, 2022, 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, 2022 amounted to approximately HK$20.1 million (2021: HK$18.3 million).

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 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

Tsui Wing Tak
Chairman

31st October, 2022

EXECUTIVE DIRECTORS

Tsui Wing Tak, aged 40, is an Executive Director, Chairman of the Company. He was appointed to the Board in February 2022. He has more than 18 years of experience in the accounting and corporate field. Mr. Tsui has been the Chief Executive Officer of AE Majoris Advisory Company Limited which is principally engaged in the provision of corporate advisory services, since January 2012. He was the Company Secretary of Noble House (China) Holdings Limited (now known as Zhonghua Gas Holdings Limited) (stock code: 8246), a company listed on GEM of the Stock Exchange, from July 2013 to August 2014. From August 2004 to January 2012, Mr. Tsui worked in an international accounting firm in Hong Kong with his last position as a Manager in auditing. Mr. Tsui was a Non-Executive Director of CCT Land Holdings Limited (now known as GBA Holdings Limited) (stock code: 261), a company listed on the Main Board of the Stock Exchange, from January 2017 to April 2018. Mr. Tsui was the Non-Executive Director and Company Secretary of Jiu Zun Digital Interactive Entertainment Group Holdings Limited (stock code: 1961), a company listed on the Main Board of the Stock Exchange, from February 2019 to May 2022. Mr. Tsui has been the Company Secretary of Ching Lee Holdings Limited (stock code: 3728), a company listed on the Main Board of the Stock Exchange, since 14 August 2017. Mr. Tsui has been the Executive Director of Tree Holdings Limited (stock code: 8395), a company listed on the GEM of the Stock Exchange, since September 2016. Mr. Tsui has been the Non-Executive Director of Star Group Company Limited (stock code: 1560), a company listed on the Main Board of the Stock Exchange, since February 2022.

Mr. Tsui was appointed by the Embassy of the Republic of the Uganda in Beijing as Honorary Trade, Tourism and Investment Consultant/Adviser on China (Hong Kong and Macau SAR) from November 2016 to June 2019. Mr. Tsui was appointed as a member of the Chinese People's Political Consultative Conference of Qinzhou City in Guangxi Province in China since December 2019. Mr. Tsui was appointed by the Ministry of Foreign Affairs and Regional Integration of the Republic of Ghana as Honorary Consul of Ghana in Hong Kong in March 2020.

Mr. Tsui graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration (Honours) in Accounting in November 2004. He was admitted as a Certified Public Accountant and a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants in January 2009 and January 2012, respectively.

Chu Nin Yiu, Stephen, aged 65, 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.

NON-EXECUTIVE DIRECTOR

Lam Yiu Cho, aged 40, was appointed to the Board in February 2022. He has more than 18 years of experience in the accounting and corporate industry. Since March 2016, Mr. Lam has been working for AE Majoris Advisory Company Limited. Mr. Lam has been the company secretary of Sun Hing Printing Holdings Limited (stock code: 1975), a company listed on Main Board of the Stock Exchange, since October 2021.

From August 2008 to February 2016, Mr. Lam worked at First Pacific Company Limited with his last position being corporate development manager in the corporate development department, responsible for overseeing mergers and acquisitions projects of the company. From January 2006 to August 2008, Mr. Lam worked at Deloitte Touche Tohmatsu with his last position being senior in the audit department. From September 2004 to January 2006, Mr. Lam worked at Ernst & Young as staff accountant in the assurance and advisory business services department.

Mr. Lam graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration (Honours) in Accounting in November 2004. He was admitted as a Certified Public Accountant and a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants in February 2008 and January 2018, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yeung Chi Wai, aged 61, was appointed to the Board in April 2022. He has over 30 years of experience in accounting, finance and audit. He is the founder and director of Edwin Yeung & Company (CPA) Limited, which was incorporated in 2008. Mr. Yeung has currently been an independent non-executive directors of China Outfitters Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1146) since June 2011, Wah Sun Handbags International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2683) since January 2018 and Golden Century International Holdings Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 91) since April 2020. Mr. Yeung has been a director of The Hong Kong Independent Non-Executive Director Association Limited since September 2019. He is a member of the Chinese People's Political Consultative Conference in Shandong Province. Mr. Yeung has been an associate of the Chartered Association of Certified Accountants since 1988. He became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. He has been a fellow member of the Association of Chartered Certified Accountants since 1993, a fellow member of the Institute of Chartered Accountants in England and Wales since 2005 and a fellow member of CPA Australia since 2010. He was the president of the Society of Chinese Accountants and Auditors in 2008. He was awarded the Medal of Honour by the Government of the Hong Kong in 2010.

Wong Kwong Fat, aged 66, 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.

Chan Shu Yan, Stephen, aged 40, was appointed to the Board in June 2022. He is an independent non-executive director of Vistar Holdings Limited (Stock Code: 8535). Mr. Chan is a registered architect in the Netherlands. He graduated from the University of Hong Kong with Bachelor of Arts in Architectural Studies, and Delft University of Technology, The Netherlands with Master of Science in Architecture, Urbanism and Sciences, respectively. Since 2015, Mr. Chan co-founded a design services studio in Hong Kong named AaaM Limited, to provide services on architecture, interior design, and master planning projects, and to promote architectural culture by engaging with the public as curator and columnist on both online and paper media platforms. Mr. Chan is currently a serving Director of AaaM Limited. Prior to this, Mr. Chan was employed by UNStudio (Shanghai) Limited from February 2011 to December 2014 and served with UNStudio Hong Kong Limited from January 2015 to March 2017 as an associate director/senior architect. He was also serving as guest lecturer for the University of Nottingham Ningbo China in the academic year 2020 and 2021.

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, 2022, 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.

   Certain 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 9th December, 2021 due to the COVID-19 pandemic.

BOARD OF DIRECTORS

The Board of the Company consists of two executive directors, one non-executive director 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 pages 11 to 12 of this annual report under the subject "Directors' Profile". The directors have no financial, business, family or other material/relevant relationships with each other.

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. Tsui Wing Tak 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

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

Mr. Wong Kwong Fat has served as independent non-executive directors of the Company for more than nine years. In addition to his confirmation of independence in accordance with Rule 3.13 of the Listing Rules, Mr. Wong continues to demonstrate the attributes of an independent non-executive director by providing independent views and advice and there is no evidence that his tenure has had any impact on his independence. The Directors are of the opinion that Mr. Wong has 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. Wong in exercising his independent judgement and believe that his 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. Yeung Chi Wai (Chairman), Mr. Wong Kwong Fat and Mr. Chan Shu Yan, Stephen, 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 auditor and participate in the re-appointment and assessment of the performance of the external auditor.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2022.

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. Chan Shu Yan, Stephen (Chairman), Mr. Yeung Chi Wai 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. Yeung Chi Wai and Mr. Chan Shu Yan, Stephen 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 2021 Annual General Meeting are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meetings	2021 Annual General Meeting
Number of meetings held	4	2	1	2	1
Executive Directors:					
Tsui Wing Tak (appointed on 15th February, 2022)	2/4	N/A	N/A	N/A	0/1
Chu Nin Yiu, Stephen	4/4	N/A	1/1	2/2	1/1
Sio Tak Hong (resigned on 29th December, 2021)	2/4	N/A	N/A	N/A	0/1
Chu Nin Wai, David (resigned on 15th February, 2022)	2/4	N/A	N/A	N/A	0/1
Lau Chi Kan, Michael (resigned on 15th February, 2022)	2/4	N/A	N/A	N/A	0/1
Non-Executive Director:					
Lam Yiu Cho (appointed on 15th February, 2022)	2/4	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:					
Yeung Chi Wai (appointed on 1st April, 2022)	1/4	0/2	1/1	1/2	0/1
Wong Kwong Fat	4/4	2/2	1/1	2/2	1/1
Chan Shu Yan, Stephen (appointed on 15th June, 2022)	1/4	0/2	1/1	1/2	0/1
Li Sze Kuen, Billy (resigned on 1st April, 2022)	3/4	2/2	0/1	1/2	0/1
Leung Kam Fai (resigned on 15th June, 2022)	3/4	2/2	0/1	1/2	0/1

AUDITOR'S REMUNERATION

For the year ended 31st July, 2022, remuneration of approximately HK$3,120,000 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 34 to 39.

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 9th December, 2021.

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.

Environmental, Social and Governance Report

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, 2021 and 31st July, 2022 ("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 2% (2021: decreased by 11%) 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

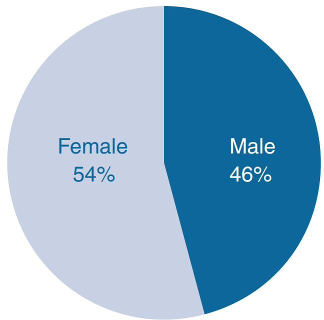
Employees are the most valuable assets of an enterprise and the core driver for enhancing competitiveness and fostering long-term development. Therefore, we offer competitive remuneration package, in terms of recruitment, salary, promotion and benefits, to attract and retain talent.

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.

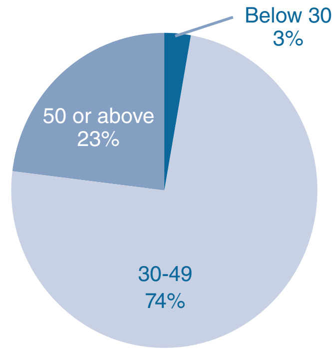
We offer our staff with reasonable and competitive salary and benefits, including paid holidays, social insurance and commercial insurance and so on. Meanwhile, the Group ceaselessly improves its recruitment and promotion program. Employees' remuneration, benefit and promotion are reviewed on a regular 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.

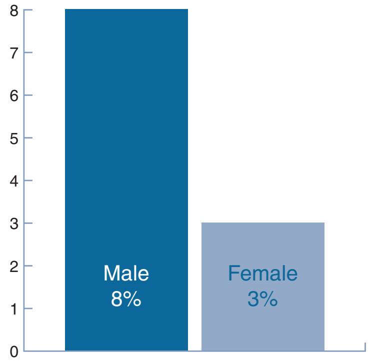
As at 31st July, 2022, we had a total of 80 employees.



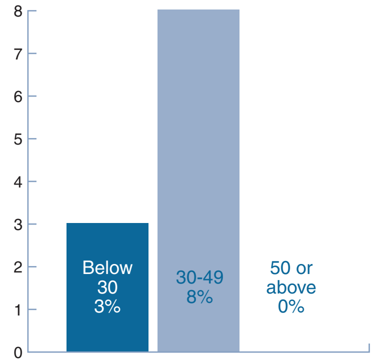
Employees by gender



Employees by age group

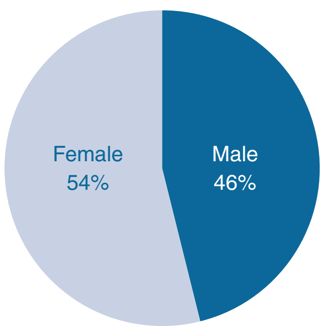


Employee turnover rate by gender

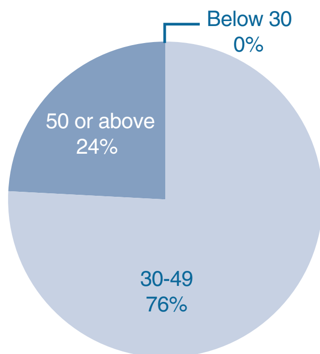


Employee turnover rate by age group

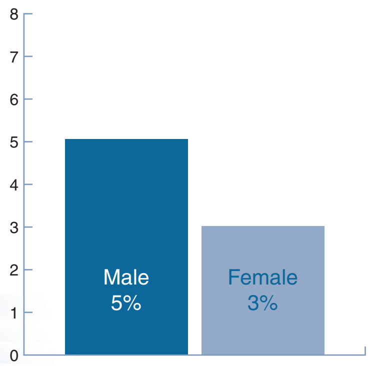
As at 31st July, 2021, we had a total of 80 employees.



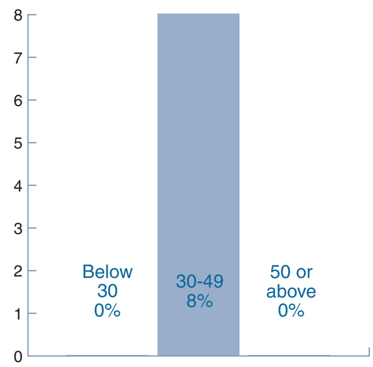
Employees by gender



Employees by age group



Employee turnover rate by gender



Employee turnover rate by age group

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 (2021: 0), and there was no incident that caused work-related fatalities.

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

	2022		2021	
Male	0 persons	0 days	0 persons	0 days
Female	0 persons	0 days	0 persons	0 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 (2021: 5) training courses. Average training hours of employees were 5 hours (2021: 5 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. 8 suppliers (2021: 11 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

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

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st July, 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The activities of its principal subsidiaries and associates are investment holding, property investment and development, consumer finance, hotel operation, financial investment and related activities, which are set out in notes 39 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 10 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 20 to 27 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers during the year were less than 30% 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, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

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, 2022 are set out on page 114 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 30 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, 2022 and 2021, 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

Tsui Wing Tak *(Chairman)* (appointed on 15th February, 2022)
Chu Nin Yiu, Stephen *(Chief Executive Officer)*
Sio Tak Hong (resigned on 29th December, 2021)
Chu Nin Wai, David (resigned on 15th February, 2022)
Lau Chi Kan, Michael (resigned on 15th February, 2022)

Non-Executive Director

Lam Yiu Cho (appointed on 15th February, 2022)

Independent Non-Executive Directors

Yeung Chi Wai (appointed on 1st April, 2022)
Wong Kwong Fat
Chan Shu Yan, Stephen (appointed on 15th June, 2022)
Li Sze Kuen, Billy (resigned on 1st April, 2022)
Leung Kam Fai (resigned on 15th June, 2022)

In accordance with Article 94 and 103(A) of the Company's Articles of Association, all directors retire and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is either the period up to his retirement by rotation in accordance with the Company's Articles of Association or for an initial term of three years commencing from the respective date of appointment.

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. Chu Nin Yiu, Stephen is also director 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. Sio Tak Hong, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael, 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, 2022, 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

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**
Tsui Wing Tak ("Mr. Tsui")	–	–	55,000,000 (Note 1)	55,000,000	28.3%
Chu Nin Yiu, Stephen ("Mr. Chu")	16,240,750	–	25,758,555 (Note 2)	41,999,305	21.6%

Notes:

1. Mr. Tsui was deemed to be interested in the 55,000,000 shares in the Company held through AE Majoris Global Investment Limited ("AE Majoris"), which is in turn wholly owned by Mr. Tsui.

2. Mr. Chu was deemed to be interested in the 25,758,555 shares in the Company held through Supervalue Holdings Limited ("Supervalue"), which is in turn wholly 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, 2022.

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 36 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 Tak Hong ("Mr. Sio"), the former Chairman and executive director of the Company (resigned on 29th December, 2021), 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, 2022, 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
AE Majoris	55,000,000	–	–	55,000,000	28.3%
Mr. Tsui	–	–	55,000,000 (Note 1)	55,000,000	28.3%
Supervalue	25,758,555	–	–	25,758,555	13.3%
Mr. Chu	16,240,750	–	25,758,555 (Note 2)	41,999,305	21.6%

Notes:

1. Mr. Tsui was deemed to be interested in the 55,000,000 shares in the Company held through AE Majoris, which is in turn wholly owned by Mr. Tsui.

2. Mr. Chu was deemed to be interested in the 25,758,555 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, 2022.

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 13 to 19 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, 2022.

AUDITOR

The consolidated financial statements of the Group for the year ended 31st July, 2022 have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

Tsui Wing Tak
Chairman

31st October, 2022

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)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified 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 40 to 112, which comprise the consolidated statement of financial position as at 31st July, 2022, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st July, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As detailed in note 16 to the consolidated financial statements, the Group holds 32.5% equity interest in an associate, Tin Fok Holding Company Limited ("Tin Fok"), which is engaged in hotel operations and property investment in Macao Special Administrative Region of the People's Republic of China. The spouse and daughters of a former director of the Company, Mr. Sio Tak Hong ("Mr. Sio"), have beneficial interest in Tin Fok. The Group accounted for its interest in Tin Fok using equity method of accounting based on the unaudited consolidated financial statements of Tin Fok and its subsidiary (together, "Tin Fok Group") for the year ended 31st July, 2022 prepared in accordance with HKFRSs. The Group has recognised a share of loss of an associate amounting to HK$25,264,000 on the consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2022 and carried an interest in an associate amounting to HK$145,866,000 on the consolidated statement of financial position as at 31st July, 2022, in which no impairment was recognised. Furthermore, as detailed in notes 22 and 20 to the consolidated financial statements, the Group carried an amount due from an associate and dividend receivable from an associate amounting to HK$8,031,000 and HK$12,621,000 respectively as at 31st July, 2022, in which no expected credit loss ("ECL") allowance was recognised. Significant management judgements and estimates have been involved in assessing these balances.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Basis for Qualified Opinion *(Continued)*

Interest in an associate

(1) Tin Fok Group carried (a) a loan to Mr. Sio amounting to HK$967,600,000 in which no ECL allowance was recognised; and (b) property, plant and equipment in respect of its hotel operations amounting to HK$634,017,000 in which no impairment was recognised on its consolidated statement of financial position as at 31st July, 2022. The Group's share of result of an associate and interest in an associate would be adversely affected if there were any significant ECL allowance or impairment loss recognised by Tin Fok Group for the year ended 31st July, 2022.

(a) As set out in note 4(a)(i) to the consolidated financial statements, subsequent to the reporting period end, the loan to Mr. Sio was novated to another private entity related to Mr. Sio. Considered the net asset position of that related entity, the management of the Group is of the view that there was no significant increase in credit risk of the loan to Mr. Sio and no ECL allowance in respect of loan to Mr. Sio under HKFRS 9 "Financial Instruments" ("HKFRS 9") issued by the HKICPA is recognised in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022. However, there was no repayment from Mr. Sio and Mr. Sio was being charged for several crimes during the year ended 31st July, 2022. In addition, the management of the Group was not able to provide us the ECL assessment on loan to Mr. Sio from Tin Fok Group, including the methodology adopted, the assumptions applied and the data used as required by HKFRS 9, for the purposes of equity accounting the results of the Group.

(b) As set out in note 4(a)(ii) to the consolidated financial statements, with impairment indicators identified on the property, plant and equipment in respect of Tin Fok Group's hotel operations, the management of the Group is required to assess the recoverable amount of these property, plant and equipment, being the higher of the fair value less cost of disposal and value in use, as required by HKAS 36 "Impairment of Assets" ("HKAS 36") issued by the HKICPA for the purposes of equity accounting the results of Tin Fok Group. The management of the Group estimated the value in use of the property, plant and equipment in respect of Tin Fok Group's hotel operations based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions, including the room rate, room occupancy rate and discount rate. However, the management of Tin Fok did not provide the details of the key assumptions used in the discounted cash flow projection to the management of the Group who was then not able to provide us with sufficient appropriate information to support the reasonableness of these key assumptions used in the discounted cash flow projection. In addition, the management of the Group did not provide us their assessment of the fair value less cost of disposal of the property, plant and equipment in respect of Tin Fok Group's hotel operations for the purposes of equity accounting the results of Tin Fok Group.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess ECL on loan to Mr. Sio and impairment on property, plant and equipment in respect of Tin Fok Group's hotel operations as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that loan to Mr. Sio as at 31st July, 2022, property, plant and equipment in respect of Tin Fok Group's hotel operations as at 31st July, 2022 and the loss of Tin Fok Group for the year ended 31st July, 2022 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022; and hence interest in an associate as at 31st July, 2022 and share of loss of an associate for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for Qualified Opinion *(Continued)*

Interest in an associate (Continued)

(2) As set out in note 4(b) to the consolidated financial statements, the management of the Group considers that as at 31st July, 2022, there was impairment indicator of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group and the uncertainties related to operation of Tin Fok Group mentioned in note 4(a) to the consolidated financial statements. In respect of the impairment assessment of interest in an associate, the management of the Group is required to assess the recoverable amount of the interest in Tin Fok Group, being the higher of its fair value less cost of disposal and value in use, as required by HKAS 36. The Group's results would be adversely affected if there were any significant impairment loss on interest in an associate recognised by the Group for the year ended 31st July, 2022. The management of the Group estimated the value in use of the interest in Tin Fok Group based on same set of 5-year discounted cash flow projection as mentioned in (1)(b) above in which the management of the Group was not able to provide us with sufficient appropriate information to support the reasonableness of the key assumptions adopted in the discounted cash flow projection. In addition, the management of the Group did not provide us their assessment of the fair value less cost of disposal of the interest in Tin Fok Group.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess impairment on interest in an associate as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that interest in an associate as at 31st July, 2022 and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to impairment assessment of interest in an associate were sufficient and appropriate.

Amount due from an associate and dividend receivable from an associate

As set out in note 4(b) to the consolidated financial statements, considering the consolidated financial position of Tin Fok Group and historical repayment records, the management of the Group is of the view that there was no significant increase in credit risk of the amount due from Tin Fok and dividend receivable from Tin Fok and no ECL allowance under HKFRS 9 in respect of amount due from an associate and dividend receivable from an associate is recognised in the consolidated financial statements of the Group for the year ended 31st July, 2022. However, the management of the Group was not able to provide us the ECL assessment on amount due from an associate and dividend receivable from an associate, including the methodology adopted, the assumptions applied and the data used as required by HKFRS 9.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess ECL on amount due from an associate and dividend receivable from an associate as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that amount due from an associate and dividend receivable from an associate at 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to ECL assessment of amount due from an associate and dividend receivable from an associate were sufficient and appropriate.

It is not practicable for us to quantify the effects of the scope limitation in relation to the above-mentioned matters on the consolidated financial statements of the Group for the year ended 31st July, 2022. Consequently, we were unable to determine whether any adjustments to interest in an associate, amount due from an associate and dividend receivable from an associate were necessary.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for Qualified Opinion *(Continued)*

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 qualified 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. Except for the matter described in the Basis for Qualified Opinion section, we have determined that there are no key audit matters to communicate in our report.

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.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with 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.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In accordance with the Hong Kong Companies Ordinance, we have the following matters to report. In our opinion:

- in respect alone of the inability to obtain sufficient appropriate audit evidence regarding interest in an associate, amount due from an associate and dividend receivable from an associate as described in the Basis for Qualified Opinion section of our report above:

  - we were unable to determine whether adequate accounting records had been kept; and

  - we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

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

31st October, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st July, 2022

	NOTES	2022 HK$'000	2021 HK$'000 (restated)
Revenue			
Contracts with customers	5	**59,799**	116,147
Interest under effective interest method	5	**27,474**	15,916
Cost of sales		**(32,598)**	(60,810)
Direct operating costs		**(2,402)**	(2,959)
Gross profit		**52,273**	68,294
Other gains and losses	6	**(38,436)**	(26,384)
Impairment losses under expected credit loss ("ECL") model, net		**(15,183)**	(12,016)
Other income		**11,363**	27,601
Marketing expenses		**(5,470)**	(4,653)
Administrative expenses		**(42,056)**	(40,306)
Other hotel operating expenses		**(13,825)**	(13,045)
Share of loss of an associate		**(25,264)**	(16,360)
Finance costs	7	**(101)**	(257)
Loss before taxation		**(76,699)**	(17,126)
Income tax expense	8	**(27,617)**	(12,328)
Loss for the year	9	**(104,316)**	(29,454)
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(11,260)**	27,644
Other comprehensive (expense) income for the year		**(11,260)**	27,644
Total comprehensive expense for the year		**(115,576)**	(1,810)
(Loss) profit for the year attributable to:			
Owners of the Company		**(98,255)**	(34,068)
Non-controlling interests		**(6,061)**	4,614
		(104,316)	(29,454)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(106,700)**	(13,335)
Non-controlling interests		**(8,876)**	11,525
		(115,576)	(1,810)
Loss per share	13		
Basic – HK cents		**(50.6)**	(17.5)

Consolidated Statement of Financial Position

At 31st July, 2022

	NOTES	2022 HK$'000	2021 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	14	**214,949**	234,922
Right-of-use assets	15	**29,349**	34,446
Interest in an associate	16	**145,866**	171,130
Deposit and prepayment for a life insurance policy	17	**11,586**	11,614
Receivables from customers of consumer finance service	21	**15,501**	–
		417,251	452,112
Current assets			
Properties held for sale	18	**42,368**	78,881
Inventories	19	**700**	787
Trade and other receivables	20	**21,297**	25,482
Receivables from customers of consumer finance service	21	**51,674**	54,945
Amount due from an associate	22	**8,031**	7,869
Prepaid income tax		**50,151**	19,789
Financial assets at fair value through profit or loss ("FVTPL")	23	**52,631**	265,228
Pledged bank deposit	24	**644**	644
Bank balances and cash	24	**336,137**	221,755
		563,633	675,380
Current liabilities			
Trade and other payables	25	**11,866**	26,850
Contract liabilities		**2,249**	33,225
Derivative financial instruments	26	**1,041**	–
Lease liabilities	27	**307**	2,671
Amounts due to related parties	22	**2,068**	9,009
Tax payable		**121,924**	94,477
		139,455	166,232
Net current assets		**424,178**	509,148
Total assets less current liabilities		**841,429**	961,260
Non-current liabilities			
Deferred tax liability	28	**23,357**	27,305
Lease liabilities	27	**–**	307
		23,357	27,612
Net assets		**818,072**	933,648

Consolidated Statement of Financial Position

At 31st July, 2022

	NOTE	**2022** **HK$'000**	2021 HK$'000 (restated)
Capital and reserves			
Share capital	29	**1,518,519**	1,518,519
Reserves		**(654,721)**	(548,021)
Equity attributable to owners of the Company		**863,798**	970,498
Non-controlling interests		**(45,726)**	(36,850)
Total equity		**818,072**	933,648

The consolidated financial statements on pages 40 to 112 together with the company statement of financial position set out in note 40 to the consolidated financial statements were approved and authorised for issue by the Board of Directors on 31st October, 2022 and are signed on its behalf by:

Tsui Wing Tak	**Chu Nin Yiu, Stephen**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the Year Ended 31st July, 2022

	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 40)	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, 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
Loss for the year	–	–	–	–	–	–	–	(98,255)	(98,255)	(6,061)	(104,316)
Other comprehensive expense for the year	–	–	–	–	(8,445)	–	–	–	(8,445)	(2,815)	(11,260)
Total comprehensive expense for the year	–	–	–	–	(8,445)	–	–	(98,255)	(106,700)	(8,876)	(115,576)
At 31st July, 2022	1,518,519	157	23,542	170,583	62	51,510	(73,778)	(826,797)	863,798	(45,726)	818,072

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, 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(76,699)**	(17,126)
Adjustments for:		
Bank and other interest income	**(877)**	(16,514)
Interest expense	**101**	257
Depreciation of property, plant and equipment	**12,569**	11,834
Depreciation of right-of-use assets	**4,025**	4,295
Premium charges on a life insurance policy	**371**	363
Share of loss of an associate	**25,264**	16,360
Loss on disposal of property, plant and equipment	**212**	118
Decrease in fair value of financial assets at FVTPL	**44,582**	31,867
Decrease in fair value of derivative financial instruments	**1,041**	–
Impairment loss under ECL model, net	**15,183**	12,016
Operating cash flows before movements in working capital	**25,772**	43,470
Decrease in properties held for sale	**33,336**	60,810
Decrease (increase) in financial assets at FVTPL	**168,015**	(77,203)
Decrease in inventories	**60**	784
Decrease (increase) in trade and other receivables	**4,085**	(403)
Increase in receivables from customers of consumer finance service	**(27,413)**	(52,089)
(Decrease) increase in contract liabilities	**(29,852)**	10,234
(Decrease) increase in trade and other payables	**(14,590)**	2,649
Cash generated from (used in) operations	**159,413**	(11,748)
Income tax paid	**(31,031)**	(2,626)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**128,382**	(14,374)
INVESTING ACTIVITIES		
Interest received	**534**	15,128
Advance to an associate	**(435)**	(3)
Proceeds on disposal of property, plant and equipment	**–**	82
Purchase of property, plant and equipment	**–**	(20)
NET CASH FROM INVESTING ACTIVITIES	**99**	15,187

Consolidated Statement of Cash Flows

For the Year Ended 31st July, 2022

	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES		
Repayment to related parties	(6,707)	(113,033)
Repayment of lease liabilities	(2,665)	(2,715)
Interest on overdraft in brokers' account paid	(58)	(141)
Interests on lease liabilities paid	(49)	(122)
NET CASH USED IN FINANCING ACTIVITIES	(9,479)	(116,011)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,002	(115,198)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	221,755	332,456
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4,620)	4,497
CASH AND CASH EQUIVALENTS CARRIED FORWARD	336,137	221,755
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	336,137	221,755
Cash flow from operating activities included:		
Interest received from financial assets at FVTPL	4,346	21,123
Dividend received from financial assets at FVTPL	7,187	5,483

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 was Unit 1701, 17/F., YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong and it has been changed to13th Floor Bonham Circus, 40 Bonham Strand, Sheung Wan, Hong Kong since 15th August, 2022.

The Company acts as an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 39 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.

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 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 Group's annual period beginning on 1st August, 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 "Inventories")

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell properties held for sales and inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
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 – 2021[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

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

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.

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" (Continued)

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.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on 1st August, 2023, with early application permitted. As at 31st July, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$229,000 and HK$307,000 respectively. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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 directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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.

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.

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.

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

3.2 Significant accounting policies *(Continued)*

Investment in an associate (Continued)

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.

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.

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

3.2 Significant accounting policies *(Continued)*

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 and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office and staff quarters 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.

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.

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 *(Continued)*

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 that do not meet the definition of inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of inventory are presented within "properties held for sale".

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.

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 lease payments include:

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

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

The Group presents lease liabilities 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)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as a lessor

Classification and measurement of leases

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

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

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 (Continued)

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.

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.

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)

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.

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.

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

3.2 Significant accounting policies *(Continued)*

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".

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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

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.

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.

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)

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, 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.

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.

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

3.2 Significant accounting policies *(Continued)*

Taxation (Continued)

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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.

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.

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

3.2 Significant accounting policies *(Continued)*

Foreign currencies (Continued)

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.

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.

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

3.2 Significant accounting policies *(Continued)*

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.

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.

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

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

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.

Interest income from receivables from customers of consumer finance service which are derived from the Group's ordinary course of business and presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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.

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)*

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.

(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 and receivables from customers of consumer finance service. The ECL on trade receivable are assessed on a provision matrix with appropriate groupings, while the ECL on receivables from customers of consumer finance service and assessed on collective basis.

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 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.

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

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, 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.

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)*

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.

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

Where ECL is estimated using a collective assessment, 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 receivables 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.

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.

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.

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)

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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss 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)*

(a) Critical accounting estimates in consolidated financial statements of Tin Fok Holding Company Limited ("Tin Fok")

The Group's associate, Tin Fok, is principally engaged in hotel operations and property investment in Macao Special Administrative Region of the People's Republic of China (note 16). The spouse and daughters of a former director of the Company, Mr. Sio Tak Hong ("Mr. Sio"), have beneficial interest in Tin Fok. The management of the Group has prepared a set of consolidated financial statements of Tin Fok and its subsidiary (together, "Tin Fok Group") for the year ended 31st July, 2022 for the Group's reporting purposes. In preparing consolidated financial statements of Tin Fok Group, the accounting policies of Tin Fok have been aligned, where necessary, to ensure consistency with those accounting policies adopted by the Group. Significant management judgements and estimates have been involved as described below:

(i) ECL assessment on loan to Mr. Sio

Amount due from Mr. Sio with a carrying amount of HK$967,600,000, which was un-secured, interest bearing and matured on 30th September, 2021, is assessed for ECL individually by the management of the Group. During the year ended 31st July, 2022, Mr. Sio is being charged for several crimes and there was no repayment from Mr. Sio during the year. Subsequent to the reporting period end, the loan to Mr. Sio was novated to another private entity related to Mr. Sio. Considered the net asset position of that related entity, the management of the Group believed the credit risk of the loan to Mr. Sio was not significantly increased and no ECL was recognised in Tin Fok's consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2022 (2021: nil).

(ii) Impairment assessment on property, plant and equipment in respect of hotel operations of Tin Fok

As at 31st July, 2022, there was impairment indicator of property, plant and equipment in respect of hotel operations of Tin Fok due to the deterioration of the operation results and uncertainties related to operation of Tin Fok Group. Accordingly, the management of the Group conducted an impairment assessment on the property, plant and equipment in respect of hotel operations of Tin Fok, which required an estimation of the recoverable amount, being the higher of the value in use and fair value less costs of disposal. The management of the Group estimates the value in use of the property, plant and equipment relevant to hotel operations based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions including the room rate, room occupancy rate and discount rate of 7.5% (2021: 8.0%). Impairment loss will be recognised when the recoverable amount is lower than the carrying amount.

As at 31st July, 2022, the carrying amount of property, plant and equipment in respect of hotel operations of Tin Fok was approximately HK$634,017,000 (2021: HK$657,593,000). No impairment loss is recognised in Tin Fok's consolidated profit or loss and other comprehensive income for the year ended 31st July, 2022.

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

(b) Impairment assessment on interest in an associate and ECL on amount due from an associate and dividend receivable from an associate

The management of the Group considers that as at 31st July, 2022, there was impairment indicator of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group and the uncertainties related to operation of Tin Fok Group mentioned in note 4(a). Accordingly, the management of the Group conducted an impairment assessment on the interest in Tin Fok and individually assess the ECL on amount due from Tin Fok and dividend receivable from Tin Fok.

The impairment assessment on the interest in Tin Fok requires an estimation of recoverable amount of the interest in Tin Fok, being the higher of its value in use and fair value less cost of disposal . The management of the Group estimated the recoverable amount of the interest in Tin Fok based on the value in use, which is determined based on the same 5-year discounted cash flow projection used in the impairment assessment on property, plant and equipment in respect of hotel operations of Tin Fok.

The management of the Group estimated the ECL on the amount due from Tin Fok and dividend receivable from Tin Fok by considering the consolidated financial position of Tin Fok Group and historical repayment records and is of the view that there was no significant increase in credit risk of amount due from Tin Fok and dividend receivable from Tin Fok.

As at 31st July, 2022, the carrying amounts of the Group's interest in an associate, amount due from an associate and dividend receivable from an associate were HK$145,866,000 (2021: HK$171,130,000), HK$8,031,000 (2021: HK$7,869,000) and HK$12,621,000 (2021: HK$12,621,000), respectively. Based on management's assessment, no impairment loss on the interest in an associate, amount due from an associate and dividend receivable from an associate was recognised for both current and prior years.

(c) 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 and 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 notes 21 and 38.

(d) Impairment assessment of property, plant and equipment and right-of-use assets relevant to hotel operations

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. Management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Determining whether the property, plant and equipment and right-of-use assets relevant to hotel operations are 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 operations. Impairment loss will be recognised when the recoverable amounts are lower than the carrying amounts. As at 31st July, 2022, the carrying amounts of property, plant and equipment and right-of-use assets relevant to hotel operations are HK$214,808,000 (2021: HK$234,514,000) and HK$29,120,000 (2021: HK$31,683,000) respectively without impairment recognised.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'000
Type of goods or services		
Revenue from hotel operations		
– Room rentals	**3,952**	5,910
– Food and beverage sales	**94**	256
– Rendering of ancillary services	**98**	106
Revenue from sale of properties held for sale	**55,655**	109,875
	59,799	116,147
Geographic markets		
Mainland China	**59,799**	116,147
Timing of revenue recognition		
A point in time	**55,847**	110,237
Overtime	**3,952**	5,910
	59,799	116,147

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, 2022, revenue from property sales amounting to HK$29,848,000 (2021: HK$12,074,000) was included in the contract liabilities at the beginning of the year, which contributed to the decrease in contract liabilities. As at 1st August, 2020, contract liabilities amounted to HK$21,161,000.

In response to the preventive policies and measures taken by local government to prevent the spread of the Covid-19 epidemic, the Group's hotel operations in Mainland China had 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 is minimal during the prior and current year.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Interest under effective interest method

	2022 HK$'000	2021 HK$'000 (restated)
Interest income from receivables from customers of consumer finance service (note)	**27,474**	15,916

Note: The Group launched a money lending service in 2018 facilitated by a money lender license held by the Group. The revenue from such business continues to grow over the years under the current economic environment with potential to become a significant source of income of the Group. As such, the executive directors of the Company changed the operation strategies and placed more focus on developing consumer finance business during the current year which became a new operation segment in current year and considered such income as part of the revenue of the Group for the year. Therefore, interest income from receivables from customers of consumer finance service of HK$15,916,000, which was included in other income in the consolidated profit or loss and other comprehensive income statement for the year ended 31st July, 2021 was reclassified to conform with current year's presentation. Segment results for the year ended 31st July, 2021 has also been restated to reflect this new operation segment.

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
Consumer finance	–	provision of consumer finance service

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, 2022

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consumer finance HK$'000	Consolidated HK$'000
GROSS PROCEEDS	4,144	743,785	55,655	27,474	831,058
SEGMENT REVENUE	4,144	–	55,655	27,474	87,273
SEGMENT (LOSS) PROFIT	(18,530)	(34,201)	21,909	(1,364)	(32,186)
Unallocated income					1
Unallocated expenses					(19,149)
Finance costs					(101)
Share of loss of an associate					(25,264)
Loss before taxation					(76,699)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31st July, 2021 (restated)

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consumer finance HK$'000 (restated)	Consolidated HK$'000
GROSS PROCEEDS	6,272	595,873	109,875	15,916	727,936
SEGMENT REVENUE (RESTATED)	6,272	–	109,875	15,916	132,063
SEGMENT (LOSS) PROFIT	(10,353)	(5,863)	41,145	(5,571)	19,358
Unallocated income					58
Unallocated expenses					(19,925)
Finance costs					(257)
Share of loss of an associate					(16,360)
Loss before taxation					(17,126)

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, central administration costs, directors' salaries, share of loss of an associate and finance costs. This is the measure reported to the CODM for the purpose 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, 2022

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consumer finance HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	**255,351**	**52,769**	**196,770**	**102,526**	**–**	**607,416**
Interest in an associate					**145,866**	**145,866**
Unallocated assets					**227,602**	**227,602**
Consolidated total assets						**980,884**
LIABILITIES						
Segment liabilities	**31,693**	**1,184**	**124,073**	**149**	**–**	**157,099**
Unallocated liabilities					**5,713**	**5,713**
Consolidated total liabilities						**162,812**

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31st July, 2021 (restated)

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consumer finance HK$'000 (restated)	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	274,249	274,112	231,365	85,577	–	865,303
Interest in an associate					171,130	171,130
Unallocated assets					91,059	91,059
Consolidated total assets						1,127,492
LIABILITIES						
Segment liabilities	34,898	11,637	131,759	279	–	178,573
Unallocated liabilities					15,271	15,271
Consolidated total liabilities						193,844

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, 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;

- 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; and

- due to the change in internal organisation during the year, the composition of the assets in reportable segments has been changed. The Group's asset by reportable segment for the year ended 31st July, 2021 has been restated to reflect the change.

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, 2022

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consumer finance HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	12,335	–	–	–	12,335	234	12,569
Depreciation of right-of-use assets	1,491	–	–	–	1,491	2,534	4,025
Decrease in fair value of financial assets at FVTPL	–	44,582	–	–	44,582	–	44,582
Decrease in fair value of derivative financial instruments	–	1,041	–	–	1,041	–	1,041
Loss on disposal of property, plant and equipment	212	–	–	–	212	–	212
Interest income from financial assets at FVTPL	–	4,346	–	–	4,346	–	4,346
Bank and other interest income	394	139	–	343	876	1	877

For the year ended 31st July, 2021 (restated)

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consumer finance HK$'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 (restated)	207	–	–	333	540	58	598

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 and consumer finance divisions are 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/goods were sold and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**27,474**	–	**310**	3,109
Macau	**–**	–	**145,866**	171,130
Mainland China	**59,799**	116,147	**243,988**	266,259
	87,273	116,147	**390,164**	440,498

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	
	2022	2021
	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

	2022 HK$'000	2021 HK$'000
Dividend income from financial assets at FVTPL	**7,187**	5,483
Decrease in fair value of financial assets at FVTPL	**(44,582)**	(31,867)
Decrease in fair value of derivative financial instruments	**(1,041)**	–
	(38,436)	(26,384)

7. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interests on lease liabilities	**43**	116
Interests on overdraft in brokers' account	**58**	141
	101	257

8. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Tax expense comprises:		
PRC land appreciation tax		
Current tax	**30,642**	16,969
Deferred taxation (note 28)	**(3,025)**	(4,641)
	27,617	12,328

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.

8. INCOME TAX EXPENSE *(Continued)*

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:

	2022 HK$'000	2021 HK$'000
Loss before taxation	**(76,699)**	(17,126)
Tax credit at applicable Hong Kong Profits Tax rate	**(12,655)**	(2,826)
PRC land appreciation tax	**30,642**	16,969
Tax effect of PRC land appreciation tax	**(7,661)**	(4,242)
Tax effect of share of loss of an associate	**4,169**	2,699
Tax effect of expenses not deductible for tax purpose	**5,714**	1,086
Tax effect of deductible temporary difference not recognised	**1,723**	3,698
Utilisation of deductible temporary difference previously not recognised	**(7,960)**	(2,876)
Tax effect of income not taxable for tax purpose	**(2,899)**	(4,853)
Tax effect of tax losses not recognised	**16,244**	6,492
Tax effect of utilisation of tax losses previously not recognised	**–**	(6,467)
Effect of a different tax rate of subsidiaries operating in another jurisdiction	**300**	2,648
Income tax expense for the year	**27,617**	12,328

Details of deferred taxation are set out in note 28.

9. LOSS FOR THE YEAR

	2022 **HK$'000**	2021 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**4,610**	6,066
Other staff costs		
– Salaries and other benefits	**14,764**	11,596
– Retirement benefit scheme contributions	**767**	656
Total employee benefit expenses	**20,141**	18,318
Auditor's remuneration	**2,160**	2,160
Cost of inventories recognised as an expense	**113**	230
Cost of properties sold recognised as an expense	**32,598**	60,810
Depreciation of property, plant and equipment included in:		
– other hotel operating expenses	**12,334**	11,502
– administrative expenses	**235**	332
Depreciation of right-of-use assets	**4,025**	4,295
Net foreign exchange loss	**30**	239
Loss on disposal of property, plant and equipment	**212**	118
Included in other income:		
Bank and other interest income	**(877)**	(598)
Interest income from financial assets at FVTPL	**(4,346)**	(21,123)
Government grants (note)	**–**	(1,270)
Rental income	**(3,781)**	(3,536)

Note: During the current year, the Group received government grants as compensation of employee benefits expenses amounting to HK$489,000 (2021: HK$657,000) which have been offset against related expenses. During the year ended 31st July, 2021, the Group also recognised government grants of HK$1,270,000 in respect of Covid-19-related subsidies.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eleven (2021: seven) directors, including the Chief Executive of the Company, are as follows:

2022

	Executive directors					Non-executive director	Independent non-executive directors					
	Mr. Tsui Wing Tak HK$'000 (note 1)	Mr. Chu Nin Yiu, Stephen HK$'000	Mr. Sio HK$'000 (note 2)	Mr. Chu Nin Wai, David HK$'000 (note 3)	Mr. Lau Chi Kan, Michael HK$'000 (note 4)	Mr. Lam Yiu Cho HK$'000 (note 5)	Mr. Yeung Chi Wai HK$'000 (note 6)	Mr. Wong Kwong Fat HK$'000	Mr. Chan Shu Yan, Stephen HK$'000 (note 7)	Mr. Li Sze Kuen, Billy HK$'000 (note 8)	Mr. Leung Kam Fai HK$'000 (note 9)	Total HK$'000
Fees	–	–	–	–	–	–	–	200	–	170	200	570
Other emoluments												
– Salaries and other benefits	–	2,619	1,402	–	–	–	–	–	–	–	–	4,021
– Retirement benefit scheme contributions	–	12	7	–	–	–	–	–	–	–	–	19
	–	2,631	1,409	–	–	–	–	200	–	170	200	4,610

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

2021

	Executive directors				Independent non-executive directors			
	Mr. Chu Nin Yiu, Stephen HK$'000	Mr. Sio HK$'000 (note 2)	Mr. Chu Nin Wai, David HK$'000 (note 3)	Mr. Lau Chi Kan, Michael HK$'000 (note 4)	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000 (note 8)	Mr. Leung Kam Fai HK$'000 (note 9)	Total HK$'000
Fees	–	–	–	–	200	200	200	600
Other emoluments								
– Salaries and other benefits	2,811	2,619	–	–	–	–	–	5,430
– Retirement benefit scheme contributions	18	18	–	–	–	–	–	36
	2,829	2,637	–	–	200	200	200	6,066

Notes:

1. Mr. Tsui Wing Tak was appointed as an executive director and the Chairman of the Company on 15th February, 2022.

2. Mr. Sio resigned as an executive director and the Chairman of the Company on 29th December, 2021. Subsequent to Mr. Sio's resignation, he received salaries amounting to HK$711,000 as an employee of the Group during the year ended 31st July, 2022, which was not included in director's emoluments above.

3. Mr. Chu Nin Wai, David resigned as an executive director of the Company on 15th February, 2022.

4. Mr. Lau Chi Kan, Michael resigned as an executive director of the Company on 15th February, 2022.

5. Mr. Lam Yiu Cho was appointed as a non-executive director of the Company on 15th February, 2022.

6. Mr. Yeung Chi Wai was appointed as an independent non-executive director of the Company on 1st April, 2022.

7. Mr. Chan Shu Yan, Stephen was appointed as an independent non-executive director of the Company on 15th June, 2022.

8. Mr. Li Sze Kuen, Billy resigned as an independent non-executive director of the Company on 1st April, 2022.

9. Mr. Leung Kam Fai resigned as an independent non-executive director of the Company on 15th June, 2022.

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 a non-executive director and 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, 2022 and 2021, no directors waived any emoluments.

11. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, two (2021: two) were directors of the Company whose emoluments were included in note 10 above. The emoluments of the remaining three (2021: three) employees and the emoluments received by one (2021: nil) of the directors mentioned above after his resignation as a director of the Company were as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other benefits	**3,004**	1,837
Retirement benefit scheme contributions	**64**	54
	3,068	1,891

Their emoluments were within the following bands:

	2022 No. of employees	2021 No. of employees
Nil to HK$1,000,000	**3**	3

During the years ended 31st July, 2022 and 2021, 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, 2022 and 2021, 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:

	2022 HK$'000	2021 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic earnings per share	**(98,255)**	(34,068)

	2022	2021
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**194,357,559**	194,357,559

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, 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
Transfer from properties held for sale	509	–	–	–	–	509
Disposals/write-off	–	–	(1,886)	(1,768)	–	(3,654)
Currency realignment	(11,550)	(103)	(3,629)	(1,209)	(40)	(16,531)
At 31st July, 2022	341,363	2,948	103,603	33,338	2,754	484,006
DEPRECIATION						
At 1st August, 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
Provided for the year	10,164	102	142	2,069	92	12,569
Eliminated on disposals/write-off	–	–	(1,886)	(1,556)	–	(3,442)
Currency realignment	(4,066)	(44)	(3,629)	(1,053)	(38)	(8,830)
At 31st July, 2022	130,478	1,357	103,603	31,006	2,613	269,057
CARRYING VALUES						
At 31st July, 2022	210,885	1,591	–	2,332	141	214,949
At 31st July, 2021	228,024	1,752	142	4,769	235	234,922

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 (2021: certain part of the hotel properties) under operating leases. The leases typically run for an initial period of 1 to 5 years (2021: 1 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, 2022	29,120	229	–	29,349
As at 31st July, 2021	31,683	366	2,397	34,446
Depreciation charge				
For the year ended 31st July, 2022	1,491	137	2,397	4,025
For the year ended 31st July, 2021	1,543	137	2,615	4,295

	Year ended 31st July, 2022 HK$'000	Year ended 31st July, 2021 HK$'000
Expense relating to short-term leases	**1,432**	22
Total cash outflow for leases	**4,146**	2,859
Additions to right-of-use assets	**–**	–

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 one year to two years (2021: two years). Besides, the Group 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 entered into short-term lease for office and staff quarters (2021: staff quarters).

As at 31st July, 2022 there were two lease commitments for the short-term leases (2021: one). The Group had commitments for future minimum lease payments under non-cancellable short-term lease amounting to HK$1,058,000 (2021: HK$9,000).

16. INTEREST IN AN ASSOCIATE

	2022 HK$'000	2021 HK$'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	**(83,589)**	(58,325)
	145,866	171,130

At 31st July, 2022 and 2021, 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 **2022**	2021	Principal activities
Tin Fok (note)	Macau	**32.5%**	32.5%	Hotel operations and property investment

Note: The spouse and daughters of Mr. Sio, a former 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 (2021: HK$2,362,000) arising on acquisition of Tin Fok.

The revenue of Tin Fok dropped significantly during the year ended 31st July, 2022, which resulted in a loss of HK$77,733,000. The management of the Group considers that as at 31st July, 2022, there was an indication of impairment of the Group's interest. Accordingly, the management of the Group conducted an impairment assessment on the interest in Tin Fok, which requires an estimation of recoverable amount of the interest in Tin Fok, being the higher of the value in use and fair value less cost of disposal , as required by HKAS 36. The management of the Group assessed the value in use of the interest in Tin Fok based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions including the room rate, room occupancy rate and discount rate of 7.5% (2021: 8.0%).

16. INTEREST IN AN ASSOCIATE *(Continued)*

Based on management's assessment, no impairment loss on the interest in an associate was recognised for both current and prior years.

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 consolidated financial information prepared in accordance with HKFRSs. The associate is accounted for using the equity method in the consolidated financial statements.

	2022 **HK$'000**	2021 HK$'000
Current assets (note)	**1,023,916**	1,011,243
Non-current assets	**929,119**	967,531
Current liabilities	**(364,474)**	(361,102)
Non-current liabilities	**(1,189,902)**	(1,138,356)
Non-controlling interests	**42,893**	39,969
Net assets attributable to owners of Tin Fok	**441,552**	519,285
Revenue	**89,544**	132,583
Loss and total comprehensive expense for the year	**(77,733)**	(50,339)
Group's share of loss of an associate	**(25,264)**	(16,360)

Note: The amount mainly presented a loan to Mr. Sio with a carrying amount of HK$967,600,000, for which no ECL was recognised.

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

	2022 **HK$'000**	2021 HK$'000
Net assets attributable to owners of Tin Fok	**441,552**	519,285
Proportion of the Group's ownership interest in Tin Fok	**32.5%**	32.5%
	143,504	168,768
Goodwill	**2,362**	2,362
Carrying amount of the Group's interest in Tin Fok	**145,866**	171,130

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.

	2022 **HK$'000**	2021 HK$'000
Properties for sale	**42,368**	78,881
Analysis of leasehold lands:		
Carrying amount	**9,922**	18,449

During the year, the Group transferred certain car park spaces included in properties held for sale amounting to HK$509,000 (2021: nil) to property, plant and equipment.

19. INVENTORIES

The inventories at 31st July, 2022 and 2021 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 customers of hotel business. The following is an aged analysis of trade receivables, presented based on invoice date:

	2022 **HK$'000**	2021 HK$'000
Trade receivables:		
0 to 30 days	**221**	118
31 to 60 days	**33**	2
61 to 90 days	**2**	5
91 days or above	**337**	363
	593	488
Prepayments and deposits	**2,894**	1,503
Other receivables (note)	**17,810**	23,491
	21,297	25,482

Note: Included in other receivables are dividend receivable from an associate of HK$12,621,000 (2021: HK$12,621,000). The other receivables as at 31st July, 2021 also included a receivable arising from disposal of financial assets at FVTPL amounting to HK$8,884,000 (2022: nil).

As at 1st August, 2020, trade receivables with customers amounted to HK$357,000.

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 and 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, 2022 are set out in note 38.

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$120,000 (2021: HK$2,000 to HK$100,000). The receivables are unsecured and carry interest at fixed rate ranged from 26% to 48% (2021: 15% to 50%) 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, 2022, impairment losses under ECL model amounting to HK$12,634,000 (2021: HK$14,024,000) was recognised. At the end of reporting period, aggregate net balances with customers of consumer finance service with payment past due are HK$1,153,000 (2021: HK$1,378,000). Details of impairment assessment are set out in note 38.

The analysis of the Group's receivables from customer finance service by their respective contractual maturity dates, net of provision, is as follows:

	2022 **HK$'000**	2021 HK$'000
Within one month	**4,164**	5,812
Six months or less but over one month	**22,910**	29,197
One year or less but over six months	**24,600**	19,936
Over one year	**15,501**	–
	67,175	54,945
Analysed as (note):		
Current portion	**51,674**	54,945
Non-current portion	**15,501**	–
	67,175	54,945

Note: Interest receivables from customers of consumer finance service of HK$1,276,000, which was included in 'trade and other receivables' in the consolidated statement of financial position for the year ended 31st July, 2021, have been reclassified to conform with current year's presentation. These reclassifications have no effect on the comparative figures in loss for the year or cash flows of the Group.

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, 2022 are set out in note 38.

22. AMOUNT DUE FROM AN ASSOCIATE/AMOUNTS DUE TO RELATED PARTIES *(Continued)*

(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	**2022 HK$'000**	2021 HK$'000
Gao Wang Investments Limited ("Gao Wang")	(i)	**1,034**	1,034
Gold Champion Investments Limited ("Gold Champion")	(ii)	**1,034**	1,034
Mr. Si Tit Sang	(iii)	**–**	6,941
		2,068	9,009

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 39). Mr. Lai Kin Hak is a director of certain subsidiaries of the Company, including Hotel Fortuna Foshan (as defined in note 39).

(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

	2022 HK$'000	2021 HK$'000
Listed equity securities in Hong Kong	**52,631**	117,711
Listed debt securities in Hong Kong	**–**	60,702
Unlisted debt securities in Hong Kong	**–**	10,101
Listed debt securities overseas	**–**	76,714
	52,631	265,228

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.

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% (2021: 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 1.55% (2021: nil to 0.28%) 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:

	2022 **HK$'000**	2021 HK$'000
Trade payables:		
0 to 30 days	**24**	39
31 to 60 days	**27**	33
61 to 90 days	**–**	19
91 days or above	**18**	49
	69	140
Accruals	**3,167**	2,838
Other payables (note)	**8,630**	23,872
	11,866	26,850

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.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2022 HK$'000	2021 HK$'000
Accumulator contracts	(i)	**908**	–
Decumulator contract	(ii)	**133**	–
		1,041	–

Notes:

(i) Accumulator contracts

The major terms of the outstanding accumulator contracts as at 31st July, 2022 are set out below:

	Maturity	Strike price HK$
To buy 186,990 shares of China Mobile Ltd	5th October, 2022	52.0056
To buy 1,869,900 shares of China Telecom Corporation	5th October, 2022	2.8827

(ii) Decumulator contract

The major terms of the outstanding decumulator contract as at 31st July, 2022 are set out below:

	Maturity	Strike price HK$
To sell 1,281,591 shares of CNOOC Ltd	17th March, 2023	10.8177

27. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Within one year	**307**	2,671
Within a period of more than one year but not more than two years	**–**	307
	307	2,978
Less: Amount due for settlement within 12 months shown under current liabilities	**(307)**	(2,671)
Amount due for settlement over 12 months shown under non-current liabilities	**–**	307

The weighted average incremental borrowing rates applied to lease liabilities at 4.54% (2021: 2.5% to 4.54%).

28. 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, 2020	29,405
Currency realignment	2,541
Credit to profit or loss	(4,641)
At 31st July, 2021	27,305
Currency realignment	(923)
Credit to profit or loss	(3,025)
At 31st July, 2022	23,357

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, 2022, the Group has unused tax losses of HK$412,909,000 (2021: HK$314,460,000) available to offset against future profits, which may be carried forward indefinitely. The Group also has deductible temporary differences of HK$12,866,000 (2021: HK$50,664,000). No deferred tax assets have been recognised in respect of such tax losses and deductible temporary differences due to unpredictability of future profit streams.

29. SHARE CAPITAL

	Number of ordinary shares	**Amount** HK$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1st August, 2020, 31st July, 2021 and 31st July, 2022	194,337,559	1,518,519

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

30. 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.

31. PLEDGE OF ASSETS

Bank deposit of HK$644,000 (2021: HK$644,000) was pledged to banks to secure credit facilities to the extent of HK$600,000 (2021: HK$600,000) granted to the Group. No credit facilities were utilised by the Group as at 31st July, 2022 and 2021.

32. 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.

32. RETIREMENT BENEFIT SCHEMES *(Continued)*

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, 2022, contributions of the Group under the MPF Scheme and the PRC state-managed retirement benefit schemes amounted to HK$786,000 (2021: HK$692,000).

33. OPERATING LEASES

The Group as lessor

Certain of the Group's properties are rented to third parties for periods up to 5 years (2021: 5 years) at fixed predetermined amounts.

Lease payments receivables on leases are as followed:

	2022 HK$'000	2021 HK$'000
Within one year	**4,383**	4,643
In the second year	**1,066**	4,328
In the third year	**–**	1,138
	5,449	10,109

34. FINANCIAL GUARANTEES

At 31st July, 2022, the Group provided guarantees of HK$16,043,000 (2021: HK$31,171,000) 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.

35. 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, 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
Interest expenses	58	43	–
Financing cash flows	(58)	(2,714)	(6,707)
Currency realignment	–	–	(234)
Balance at 31st July, 2022	–	307	2,068

36. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

Related party	Nature of transaction	2022 HK$'000	2021 HK$'000
Related company (Note)	Expense related to short-term leases	**123**	–

Note: The related company is controlled by a director of the Company who is also a shareholder of the Company.

(b) 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.

36. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

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

	2022 **HK$'000**	2021 HK$'000
Short-term benefits	**4,591**	6,030
Post-employment benefits	**19**	36
	4,610	6,066

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.

37. 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.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 **HK$'000**	2021 HK$'000
Financial assets		
FVTPL	**52,631**	265,228
Amortised cost	**431,699**	310,063
Financial liabilities		
Derivative financial instruments	**1,041**	–
Amortised cost	**10,767**	33,021

38. FINANCIAL INSTRUMENTS *(Continued)*

(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 of the Group 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:

	2022 HK$'000	2021 HK$'000
USD	**53,665**	154,021

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 lease liabilities (2021: 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.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(iii) Other price risk

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

The Group's equity price risk is mainly concentrated on listed equity instruments quoted on the Stock Exchange.

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 respective financial assets at FVTPL with gross carrying amount of HK$52,631,000 (2021: HK$265,228,000) had been 10% higher/lower, the Group's loss after taxation would decrease/increase by HK$5,263,000 (2021: HK$26,523,000) as a result of the changes in fair value of listed equity securities at FVTPL.

If prices of the respective derivative financial instruments with gross carrying amount of HK$1,041,000 (2021: nil) had been 10% higher/lower, the Group's loss after taxation would decrease/increase by HK$788,000 and HK$1,288,000 respectively (2021: nil and nil) as a result of the changes in fair value of underlying stocks.

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 34.

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 this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

For trade receivables with gross carrying amount of HK$593,000 (2021: HK$488,000), 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, 2022 and 31st July, 2021, no impairment allowance was recognised for trade receivables based on the provision matrix.

Amount due from an associate and dividend receivable from an associate

The Group regularly monitors the business performance of the associate. The Group's credit risks in these balances 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 these amounts since initial recognition and the Group assessed impairment based on 12m ECL. For the year ended 31st July, 2022 and 2021, the Group assessed the ECL for amount due from an associate and dividend receivable from an associate with gross carrying amount of HK$8,031,000 (2021: HK$7,869,000) and HK$12,621,000 (2021: HK$12,621,000), respectively was insignificant and thus no loss allowance was recognised.

Other receivables

For other receivables with gross carrying amount of HK$5,189,000 (2021: HK$10,870,000), 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, 2022 and 2021.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

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$76,626,000 (2021: HK$61,227,000) 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 is evident to management the debtor is defaulting in repayment of interest for over 21 days, with gross carrying amount of HK$3,183,000 (2021: HK$7,742,000) was assessed individually. Impairment allowance of HK$3,183,000 (2021: HK$7,742,000) 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.

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, 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
Net impairment loss recognised	15,183	–	15,183
Transfer to credit-impaired	(12,014)	12,014	–
Write-off	–	(16,573)	(16,573)
As at 31st July, 2022	9,451	3,183	12,634

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.

38. 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 with gross carrying amount of HK$644,000 (2021: HK$644,000) and bank balances with gross carrying amount of HK$336,137,000 (2021: HK$221,755,000) 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$16,043,000 as at 31st July, 2022 (2021: HK$31,171,000). 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 34.

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 are 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.

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, lease liabilities and derivative instruments. 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.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

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$'000	Carrying amount at 31.7.2022 HK$'000
2022							
Trade and other payables	–	8,699	–	–	–	8,699	8,699
Amounts due to related parties	–	2,068	–	–	–	2,068	2,068
Lease liabilities	4.54	8	308	–	–	316	307
		10,775	308	–	–	11,083	11,074
Financial guarantees	–	16,043	–	–	–	16,043	–
Derivatives – gross settlement							
Accumulator contracts – outflow		(6,572)	(9,200)	–	–	(15,772)	(908)
Decumulator contract – inflow		1,766	12,539	–	–	14,305	(133)
		(4,806)	3,339	–	–	(1,467)	(1,041)

	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	–

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.

38. 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/(liabilities)	Fair value at 31st July, 2022 HK$'000	2021 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs and sensitivity analysis
Listed equity securities at FVTPL	**52,631**	117,711	Level 1	Quoted bid prices in active market	N/A
Listed debt securities at FVTPL	**–**	137,416	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
Accumulator contracts	**(908)**	–	Level 2	Black-Scholes model with Monte Carlo Simulation method	N/A
Decumulator contract	**(133)**	–	Level 2	Black-Scholes model with Monte Carlo Simulation method	N/A

Note: During the year ended 31st July, 2021, the quoted bid price of the financial asset 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.

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.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st July, 2022 and 2021 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		
			2022 %	2021 %	2022 %	2021 %	
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 financing 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.

39. 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 2022	2021
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		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022**	2021	**2022**	2021
				HK$'000	HK$'000	**HK$'000**	HK$'000
Hotel Fortuna Group (note)	Hong Kong	**25%**	25%	**(6,060)**	4,616	**(44,708)**	(35,833)
Individually immaterial subsidiaries with non-controlling interests						**(1,018)**	(1,017)
						(45,726)	(36,850)

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.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Hotel Fortuna Group

	2022 HK$'000	2021 HK$'000
Current assets	**216,164**	247,194
Non-current assets	**243,988**	266,289
Current liabilities	**(615,626)**	(629,510)
Non-current liabilities	**(23,357)**	(27,305)
Equity attributable to owners of the Company	**(134,123)**	(107,499)
Non-controlling interests	**(44,708)**	(35,833)

	For the year ended 31st July, 2022 HK$'000	 2021 HK$'000
Revenue	**59,799**	116,147
(Loss) profit attributable to owners of the Company	**(18,179)**	13,849
(Loss) profit attributable to non-controlling interests	**(6,060)**	4,616
(Loss) profit for the year	**(24,239)**	18,465
Other comprehensive (expense) income attributable to owners of the Company	**(8,445)**	20,733
Other comprehensive (expense) income attributable to non-controlling interests	**(2,815)**	6,911
Other comprehensive (expense) income for the year	**(11,260)**	27,644
Total comprehensive (expenses) income attributable to owners of the Company	**(26,624)**	34,582
Total comprehensive (expense) income attributable to non-controlling interests	**(8,875)**	11,527
Total comprehensive (expense) income for the year	**(35,499)**	46,109
Net cash (outflow used in) inflow from operating activities	**(17,554)**	114,432
Net cash (outflow used in) inflow from investing activities	**(41)**	281
Net cash outflow used in financing activities	**(6,707)**	(113,033)
Net cash (outflow) inflow	**(24,302)**	1,680

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	**10**	10
Amounts due from subsidiaries	**787,583**	866,974
	787,593	866,984
Current assets		
Deposit	**7**	7
Financial assets at FVTPL	**–**	28,503
Bank balances	**33,497**	41,225
	33,504	69,735
Current liabilities		
Other payables	**1,925**	1,980
Amounts due to subsidiaries	**15,510**	15,606
	17,435	17,586
Net current assets	**16,069**	52,149
Net assets	**803,662**	919,133
Capital and reserves		
Share capital	**1,518,519**	1,518,519
Reserves (note)	**(714,857)**	(599,386)
Total equity	**803,662**	919,133

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, 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)
Loss and total comprehensive expense for the year	–	–	–	(115,471)	(115,471)
At 31st July, 2022	2,127	23,542	170,583	(911,109)	(714,857)

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,				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Revenue	**87,273**	132,063	102,875	432,946	316,261
Loss on financial investments	**(38,436)**	(26,384)	(5,321)	(10,975)	(14,484)
	48,837	105,679	97,554	421,971	301,777
(Loss) profit before taxation	**(76,699)**	(17,126)	(29,745)	216,553	62,088
Income tax expense	**(27,617)**	(12,328)	(2,459)	(55,149)	(13,064)
(Loss) profit for the year	**(104,316)**	(29,454)	(32,204)	161,404	49,024
Attributable to:					
Owners of the Company	**(98,255)**	(34,068)	(29,497)	149,957	37,188
Non-controlling interests	**(6,061)**	4,614	(2,707)	11,447	11,836
	(104,316)	(29,454)	(32,204)	161,404	49,024

ASSETS AND LIABILITIES

	At 31st July,				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**980,884**	1,127,492	1,196,380	1,325,598	1,287,242
Total liabilities	**(162,812)**	(193,844)	(260,922)	(344,624)	(448,199)
	818,072	933,648	935,458	980,974	839,043
Equity attributable to owners of the Company	**863,798**	970,498	983,833	1,023,538	891,010
Non-controlling interests	**(45,726)**	(36,850)	(48,375)	(42,564)	(51,967)
	818,072	933,648	935,458	980,974	839,043

Major Properties

Particulars of major properties held by the Group at 31st July, 2022 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%