



CAPITAL ESTATE LIMITED  
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

2023

ANNUAL REPORT



# Content

	<i>PAGE(S)</i>
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
DIRECTORS' PROFILES	12
CORPORATE GOVERNANCE REPORT	14
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	21
DIRECTORS' REPORT	42
INDEPENDENT AUDITOR'S REPORT	48
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	57
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	58
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	60
CONSOLIDATED STATEMENT OF CASH FLOWS	61
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	63
FINANCIAL SUMMARY	127
MAJOR PROPERTIES	128

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Tsui Wing Tak (*Chairman*)  
Chu Nin Yiu, Stephen (*Chief Executive Officer*)

### Non-Executive Director

Lam Yiu Cho

### Independent Non-Executive Directors

Yeung Chi Wai  
Wong Kwong Fat  
Chan Shu Yan, Stephen

## COMPANY SECRETARY

Cham Wing Yeung, Andrew

## AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen  
Cham Wing Yeung, Andrew

## AUDIT COMMITTEE

Yeung Chi Wai (*Chairman*)  
Wong Kwong Fat  
Chan Shu Yan, Stephen

## REMUNERATION COMMITTEE

Chan Shu Yan, Stephen (*Chairman*)  
Wong Kwong Fat  
Yeung Chi Wai  
Chu Nin Yiu, Stephen

## NOMINATION COMMITTEE

Wong Kwong Fat (*Chairman*)  
Yeung Chi Wai  
Chan Shu Yan, Stephen  
Chu Nin Yiu, Stephen

## LEGAL ADVISER

Dechert

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## PRINCIPAL BANKER

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

## SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

13th Floor, Bonham Majoris  
40 Bonham Strand  
Sheung Wan  
Hong Kong

## STOCK CODE

193

# Chairman's Statement

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, 2023.

## REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$192.2 million for the year ended 31st July, 2023 (2022: HK\$831.1 million), which comprised gross proceeds from sales of properties of HK\$1.1 million (2022: HK\$55.7 million), consumer finance service of HK\$28.7 million (2022: HK\$27.5 million), hotel operations of HK\$7.0 million (2022: HK\$4.1 million) and sales of securities and other business segments totaling HK\$155.3 million (2022: HK\$743.8 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2023 was HK\$30.0 million (2022: HK\$98.3 million).

The reduction in loss in the year ended 31st July, 2023 was mainly attributable to decrease in fair value loss on the Group's financial investment portfolio by HK\$37.8 million and decrease in share of loss of an associate by over HK\$24.3 million.

## DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2023.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31st July, 2023, the Group had bank balances and cash of HK\$191.9 million (2022: HK\$336.8 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$78.4 million (2022: HK\$52.6 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2023 (2022: Nil).

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 4.6% at 31st July, 2023 (2022: 18.8%).

## 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, 2023, 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\$1.1 million (2022: HK\$55.7 million) has been recognised for the year ended 31st July, 2023. At 31st July, 2023, deposits for units pending hand over of approximately HK\$1.9 million (2022: HK\$2.0 million) was recorded and the unsold saleable floor area of approximately 7.2% 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 holds a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and utilizes its internal resources in funding its consumer finance business. During the year, the loans recorded interest income of HK\$28.7 million (2022: HK\$27.5 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.

#### *(I) The business model, credit approval and risk assessment policy*

The service consists of the provision of unsecured consumer finance to Hong Kong permanent resident through a self-developed online consumer lending software. The Group promotes such service mainly through internet and individual customers can apply for the service through a mobile app which is publicly available. Approval status, due date reminder and other notification will be sent to user through the mobile app while user can submit repayments and check their loan status through the app as well. As the money lending service targets a large population, and the loans are unsecured, hence, a certain level of loss resulting from risk of default is expected. Such default risk is reflected in the interest rate charged as to cover the potential loss from default.

It is the Group's policy that potential borrowers are subject to background check and credit rating procedures before the approval and grant of the loan. Background check includes verification of identity, home and office addresser, and proof of income of the potential borrowers based on documents and information provided. The Group has a specific team to check and verify the information provided by the potential borrowers. After verification, such information will be processed by the Group's self-developed credit risk model to determine whether a loan will be granted. The self-developed credit risk model will assign scores to each of the potential borrowers, which is based on information provided by the borrowers, including income, employment status and accommodation type. For recurring borrowers, their historical repayment records will also be considered. An overall credit score will be determined and for eligible applicant, the loan amount, credit period and interest rate applicable will be generated based on the credit score. Our senior loan operation officers will review such results and contact the potential borrower for further procedures if the acceptable loan and credit period matched with the application.

Borrower who has not made any repayment or with any late installment payment record, is not eligible to apply for any reloan. For borrower who has repaid a certain percentage of principal with a good record of timely repayment, a reloan option will become available in the app. Such user may apply for a reloan to settle the outstanding principal of the original loan and the remaining balance of the reloan will be transferred to the borrowers' bank accounts. All reloan applications are subjected to independent approval procedures separately from the original loan.

## Chairman's Statement

Our senior loan operation officers will continuously monitor the repayment status of the borrowers through the self-developed online consumer lending software on a daily basis. For customers who fail to make repayment on time, the self-developed online consumer lending software will automatically send notification to them through the app and SMS on the day after the due date of the repayment. Our senior loan operation officers will also send email notification and make follow-up phone calls to these customers on the same day. If there were still no response from the customers to the above actions, a formal written repayment notice will be sent by post to the customers' registered postal address on the second day after the due date. On the sixth day after the due date, a final reminder will be sent to the customers' registered emails. If there were still no repayments or any feedback from the customers, another written notice will be sent by post on the seventh day after the due date and the outstanding amount will be passed to external debt collector.

### (II) *Loan size and portfolio*

As at 31st July, 2023, the consumer finance business has approximately 3,500 users (2022: approximately 3,400 users) and maintained a net loan portfolio of HK\$77.8 million as at 31st July, 2023 (2022: HK\$67.2 million) with loans to individual users ranging from HK\$2,000 to HK\$120,000 (2022: HK\$2,000 to HK\$120,000) with credit period up to 36 months (2022: 36 months). The receivables are unsecured and carry interest at fixed rate ranged from 26% to 48% (2022: 26% to 48%) which is determined based on factors including loan term, principal amount and credit history of individual customer. Loan granted to approximately 74% (2022: 83%) of the customers are with principal amount of HK\$40,000 or below and approximately 82% (2022: 86%) with credit period of 18 months or less.

The following table shows the percentage of customers by principal amount, credit period and interest rate:

	% of user	
	2023	2022
Principal amount:		
Below HK\$20,000	<b>35.2%</b>	44.4%
Below HK\$40,000 but over HK\$20,000	<b>38.7%</b>	38.3%
Below HK\$80,000 but over HK\$40,000	<b>24.9%</b>	16.9%
Below HK\$120,000 but over HK\$80,000	<b>1.2%</b>	0.4%
	<b>100.0%</b>	100.0%
Credit period:		
6 months or less	<b>5.9%</b>	4.5%
12 months or less but over 6 months	<b>40.2%</b>	46.4%
18 months or less but over 12 months	<b>35.6%</b>	34.7%
24 months or less but over 18 months	<b>11.1%</b>	10.7%
36 months or less but over 24 months	<b>7.2%</b>	3.7%
	<b>100.0%</b>	100.0%
Interest rate:		
Below 35%	<b>4.4%</b>	10.0%
Below 40% but over 35%	<b>55.2%</b>	58.3%
Below 45% but over 40%	<b>39.0%</b>	20.8%
Below 50% but over 45%	<b>1.4%</b>	10.9%
	<b>100.0%</b>	100.0%

## Chairman's Statement

The Group has no concentration risk on the receivables from customers of consumer finance. Gross receivable from the largest borrower and the five largest borrowers in aggregate, are below 1% of the net loan portfolio as at 31st July, 2023 and 31st July, 2022.

### *(III) Basis of loan impairments assessment and analysis*

Impairment losses under expected credit loss model on receivables amounting to HK\$13.8 million (2022: HK\$15.2 million) was recorded during the year. According to the Group's lending business loan impairment policy, customers defaulting in repayment for over 21 days are considered as credit-impaired, and full provision on the amount outstanding will be made. Receivables from customers that is not credit-impaired are assessed on a collective basis as these customers share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision rates applied to receivable from these customers are based on the Group's historical default rates over the expected life of the receivables and forward-looking information that is reasonable and supportable available without undue costs or effort. The decrease in impairment losses was due to the moderate recovery in overall economic and improvement in credit control.

### 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, 2023, the hotel achieved a growth in occupancy rate to approximately 12.4% (2022: 6.6%) and recorded a turnover of approximately HK\$7.0 million in compared to turnover of approximately HK\$4.1 million in the year ended 31st July, 2022.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. Recovering from the effect of the pandemic, the hotel's recorded occupancy rate of approximately 72.8% (2022: 55.4%) and turnover of approximately HK\$134.3 million during the year in compared to approximately HK\$89.5 million in 2022.

### 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, 2023, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of debt securities of HK\$78.4 million (2022: listed equity securities of HK\$52.6 million and debt securities of no carrying value).

As at 31st July, 2023, the Group had 6 listed (2022: Nil) and 1 unlisted (2022: 1) debt securities representing approximately 100.0% (2022: 0.0%) of the investment portfolio. As at 31st July, 2023, the mark to market valuation of the largest single debt security within the portfolio represents approximately 2.8% of the Group's total assets, and that of the five largest debt securities held represents approximately 9.4% of the Group's total assets. The remaining 2 debt securities held as at 31st July, 2023, represent 0.4% of the Group's total assets, each ranging from 0.0% to 0.4%. Approximately 71.1% of these debt securities are related to PRC based real estate companies. The debt security held as at 31st July, 2022 was defaulted and has no carrying value.

## Chairman's Statement

During the year, the debts portfolio gave rise to a net fair value loss of HK\$8.8 million (2022: HK\$23.5 million) and interest income of HK\$4.0 million (2022: HK\$4.3 million).

The Group held no listed equity security as at 31st July, 2023. Listed equity securities of HK\$52.6 million held as at 31st July, 2022, representing approximately 100.0% of the investment portfolio, consist of 3 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% of the Group's total assets, and that of the three largest equity securities held represents approximately 5.4%. Approximately 90.0% of these equity securities are constituents of the Hang Seng Index.

During the year, the equity portfolio gave rise to a net fair value loss of HK\$0.1 million (2022: fair value loss of HK\$16.1 million) and dividend income of HK\$2.6 million (2022: HK\$7.2 million).

During the year ended 31st July, 2022, the Group also entered into certain derivative contracts in relation to the listed equity securities held by the Group. As at 31st July, 2023, the Group has no derivative liabilities (2022: HK\$1.0 million) and recorded a fair value gain of HK\$1.0 million (2022: fair value loss HK\$1.0 million) for the year.

### DETAILS OF THE QUALIFIED OPINION

The consolidated financial statements of the Group for the years ended 31st July, 2022 and 31st July, 2023 were audited by, and had been subject to qualified opinion of Deloitte Touche Tohmatsu, the independent auditor of the Company. The qualifications for both years are related to share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate recorded in the consolidated financial statement of the Group, on the basis as set out in the paragraph headed "Basis for qualified opinion" in the independent auditor's reports dated 31st October, 2022 and in this annual report respectively. View of the management of the Company (the "Management") and the Audit Committee on the qualified opinion for the year ended 31st July, 2022 are set out in the paragraph headed "Details of the qualified opinion" in the chairman's statement in the 2022 annual report.

During the course of the audit for the year ended 31st July, 2023, the independent auditor of the Company considered that it was unable to obtain sufficient appropriate audit evidence it considered necessary to assess:

- (i) in the unaudited consolidated financial statements of Tin Fok Holding Company Limited ("Tin Fok"), a 32.5% owned associate of the Group, and its subsidiary (collectively, "Tin Fok Group"), prepared in accordance with HKFRSs provided by the management of Tin Fok (the "Tin Fok Management") and used by the Group for equity accounting purpose for the year ended 31st July, 2023 (the "Associate's Financial Statements") in relation to,
  - (a) the expected credit loss ("ECL") on loan to and interest receivables from a private company ("Entity A") which is a related company of a former director of the Company, Mr. Sio Tak Hong ("Mr. Sio"), carried in the Associate's Financial Statements and
  - (b) impairment on property, plant and equipment in respect of the hotel operations of Tin Fok Group as at 1st August, 2022 and whether any reversal of such impairment in the Associate's Financial Statements,

## Chairman's Statement

- (ii) impairment on interest in an associate as at 1st August, 2022 and whether any reversal of such impairment in the consolidated financial statements of the Group for the year ended 31st July, 2023; and
- (iii) ECL on amount due from an associate and dividend receivable from an associate as at 31st July, 2023 in the consolidated financial statements of the Group.

The independent auditor of the Company was unable to determine whether (i) share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate are free from material misstatements; (ii) any adjustments to these amounts were necessary; and (iii) the disclosures in relation to the above-mentioned matters were sufficient and appropriate in the consolidated financial statements of the Group (the "Qualified Opinion").

### Management's view on the qualified opinion

In relation to the Qualified Opinion, the Management was of the following view:

#### Share of loss of an associate and interest in an associate

##### *(1)(a) In respect of the loan to and interest receivable from Entity A in the Associate's Financial Statements*

Based on current information available to the Tin Fok Management, on the basis that Entity A has substantive assets and repayments from Entity A amounting to HK\$55,363,000 were received by Tin Fok during the year ended 31st July, 2023, Tin Fok Management is of the view that there was no significant increase in the credit risks of the loan and related interest receivable, 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 estimates and assumptions, including judgment of the financial condition of Entity A, 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 and related interest receivable from Entity A as at 31st July, 2023 in the Associate's Financial Statements. As a result, with respect to the type of audit opinion issued by the independent auditor of the Company, the Management acknowledges and agrees 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 the Associate's Financial Statements*

Although the average room rate of Hotel Fortuna, Macau (the "Hotel") is still at a moderate discount, the occupancy rate has recovered to pre-COVID-19 levels following the reopening of border by the Macao government in early January 2023. The independent auditor of the Company concurred with the assessment from Tin Fok Management and the Management that there was no impairment indication of property, plant and equipment in respect of Tin Fok Group's hotel operations as at 31st July, 2023.

However, as the independent auditor of the Company is of the view that since it was unable to obtain sufficient appropriate audit evidence to assess the impairment on the property, plant and equipment in respect of Tin Fok Group's hotel operations as at 31st July, 2022 and hence affecting the opening balance for current year as at 1st August, 2022, which would consequentially impact whether any reversal of impairment on the property, plant and equipment should be recognised in the consolidated financial statements of the Tin Fok Group for the year ended 31st July, 2023. As a result, with respect to the type of audit opinion issued by the auditor, the Management acknowledges and agrees with the audit opinion that the auditor had issued based on its professional and independent assessment.

## (2) *Impairment assessment on interest in Tin Fok Group*

The independent auditor of the Company concurred with the assessment from the Management that there was no impairment indication of Group's interest in Tin Fok as at 31st July, 2023 as a result of significant improvement in the hotel operations of Tin Fok as mentioned in (1)(b) above.

However, as the independent auditor of the Company is of the view that since it was unable to obtain sufficient appropriate audit evidence to assess the impairment on the Group's interest in Tin Fok as at 31st July, 2022, and hence affecting the opening balance for current year as at 1st August, 2022, which would consequentially impact whether any reversal of impairment on interest in an associate should be recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. As a result, with respect to the type of audit opinion issued by the auditor, the Management acknowledges and agrees with the audit opinion that the auditor had issued based on its professional and independent assessment.

## **Amount due from and dividend receivable from Tin Fok Group**

Amount due from Tin Fok Group of approximately HK\$7.5 million represents interest-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 the Associate's Financial Statements 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, 2023, the expected improvement in the financial performance of the Hotel due to the recovery from the effect of the pandemic as evident by the increase in occupancy rate, 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 from Tin Fok and dividend receivable from Tin Fok.

Nonetheless, the Management acknowledges that given the ECL assessment involves estimates and assumptions of the credit risks of the relevant amounts, the independent auditor of the Company is of the view that it was unable to obtain sufficient appropriate audit evidence. As a result, with respect to the type of audit opinion issued by the independent auditor of the Company, the Management acknowledges and agrees with the audit opinion that the auditor had issued based on its professional and independent assessment.

# Chairman's Statement

## View of Audit Committee

The Audit Committee has continuously followed up on the audit matters carried forward from last year in relation to Tin Fok, including receiving quarterly updates from the Management, actively participating in current year audit process and discussing with the independent auditor of the Company and critically reviewing the matter in the qualified opinion for current year. The Audit Committee 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 agrees with the Management's position concerning the major judgment areas, and acknowledges that given the above positions involves estimates and assumptions, the independent auditor of the Company is of the view that it was unable to obtain sufficient appropriate audit evidence, especially the recoverability of the loan to and interest receivable from Entity A at Tin Fok's level. As a result, with respect to the type of audit opinion issued by the auditor, the Audit Committee acknowledges and agrees with the audit opinion that the auditor had issued based on its 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, 2024:

- A. the Management intends to continue the discussion and communication with Tin Fok with a view to (i) obtain regular updates concerning the loan to and interest receivables from Entity A and (ii) follow up with Tin Fok's management on the repayment of the amount due from an associate and the dividend receivable from an associate; and
- B. taking note of the credit risks concern, the Company is still actively seeking opportunities and approaching potential buyers, including but not limited to the existing shareholders of Tin Fok, 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, 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, especially on the recoverability of loan to and interest receivables from Entity A, with a view to providing sufficient appropriate audit evidence to the independent auditor of the Company in relation to the amount of ECL allowance (if any). If the independent auditor of the Company can perform satisfactory audit procedures and this matter can be disposed of properly, other than the audit qualification on the 2023 comparative figures (and the corresponding profit and losses resulting from the qualification of the opening balances for 2024), the Management expects that there will not be any further audit modifications on the interest in an associate arising from the assessment of the amount of ECL on the loan to and interest receivable from Entity A in the auditor's report of the Group for the financial year ending 31st July, 2024.

If the Company's interest in and receivables from Tin Fok were disposed of during the year ended 31st July, 2024, the Management are of the view that, other than the audit qualification on the 2023 comparative figures (and the corresponding profit and losses resulting from the qualification of the opening balances for 2024), further audit qualification on the interest in an associate and receivables from an associate would unlikely arise in the auditor's report of the Group for the financial year ending 31st July, 2024.

## CONTINGENT LIABILITIES

At 31st July, 2023, the Group provided guarantees of approximately HK\$15.0 million (2022: HK\$16.0 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, 2023, the Group had approximately 90 employees of whom approximately 50 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2023 amounted to approximately HK\$19.8 million (2022: HK\$20.1 million).

## PROSPECTS

The Group maintained a healthy financial position throughout the COVID-19 pandemic. Although the economic activity of PRC and local is still below pre-covid-19 level, the gradual relaxation of COVID-19 restrictions from early 2023 onwards has brought positive impact on the Group's business, especially the hotel operation.

The Board will continue to closely monitor the global economies development, formulate strategies and plans to utilise its resources effectively and 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*

30th October, 2023

# Directors' Profiles

## EXECUTIVE DIRECTORS

**Tsui Wing Tak**, aged 41, 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 66, 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 41, 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 (stock code: 142), a company listed on Main Board of the Stock Exchange, 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 62, 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 and Wah Sun Handbags International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2683) since January 2018. He was an independent non-executive director of Golden Century International Holdings Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 91) from April 2020 to March 2023. 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 67, 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 41, 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 Report

## CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31st July, 2023, 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:

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.

## 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 12 to 13 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.

# Corporate Governance Report

## 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 continue 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 five 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, 2023.

# Corporate Governance Report

## 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.

# Corporate Governance Report

## 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 2022 Annual General Meeting are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meetings	2022 Annual General Meeting
Number of meetings held	5	5	1	1	1
<b>Executive Directors:</b>					
Tsui Wing Tak	5/5	N/A	N/A	N/A	1/1
Chu Nin Yiu, Stephen	5/5	N/A	1/1	1/1	1/1
<b>Non-Executive Director:</b>					
Lam Yiu Cho	5/5	N/A	N/A	N/A	1/1
<b>Independent Non-Executive Directors:</b>					
Yeung Chi Wai	5/5	5/5	1/1	1/1	1/1
Wong Kwong Fat	5/5	5/5	1/1	1/1	1/1
Chan Shu Yan, Stephen	5/5	5/5	1/1	1/1	1/1

## AUDITOR'S REMUNERATION

For the year ended 31st July, 2023, remuneration of approximately HK\$2,950,000 was payable to the Auditor for audit service and approximately HK\$365,000 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 48 to 56.

## 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 its 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.

# Corporate Governance Report

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](http://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.

# Corporate Governance Report

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 12th January, 2023.

# Corporate Governance Report

## 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

## INTRODUCTION

Capital Estate Limited (the “Company”) and its subsidiaries (collectively, the “Group” or “we”) are pleased to present the environmental, social and governance (“ESG”) report (the “ESG Report”) for the year ended 31st July, 2023 (“Reporting Period” or “2023”). This ESG Report summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

The Group is principally engaged in hotel operations, property development, consumer finance, financial investment and related businesses, with a majority of its staff engaging in hotel operations.

The Group believes that sustainability is the key to success and has integrated this concept into its business strategy. To pursue a successful and sustainable business model, the Group actively promotes an environmentally and socially sustainable culture among all its employees and stakeholders. This culture enables the Group to formulate appropriate ESG policies and procedures in its daily operations and governance perspectives, monitor and measure the progress of its ESG efforts, and report on its performance to investors and other stakeholders.

### Reporting Period and Scope

The ESG Report specifies the ESG activities, challenges and measures being taken by the Group from 1st August, 2022 to 31st July, 2023.

Having considered the materiality of business contributions and the volume of stakeholders, this ESG Report primarily discloses our performance and initiatives of the hotel operations in Foshan, the People’s Republic of China (“PRC”) for the Reporting Period in ESG aspects.

### Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Reporting Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEX”).

During the preparation for this ESG Report, the Group has applied the reporting principles in the Reporting Guide as follows:

**Materiality:** Materiality assessment was conducted to identify material ESG issues, thereby adopting the confirmed material ESG issues as the focus for the preparation of the ESG Report. The materiality of ESG issues was reviewed and confirmed by the board of directors (the “Board”) and senior management. For further details, please refer to the sections headed “Stakeholder Engagement and Materiality Assessment”.

**Quantitative:** The standards, methodologies and applicable assumptions used in the calculation of Key Performance Indicators (“KPIs”) were supplemented by explanatory notes.

**Consistency:** Unless otherwise stated, the preparation approach of this ESG Report is consistent with the previous financial years for comparison. If there are any changes in the scope of disclosure and calculation methodologies that may affect the comparison with previous ESG reports, explanations will be provided to the corresponding data.

# Environmental, Social and Governance Report

## The ESG Governance Structure

The Group views ESG management as part of its responsibilities and is committed to incorporating ESG considerations into its decision-making process. The Group manages its ESG issues by employing a top-down approach. The Board has the overall responsibility for the Group's ESG strategies and reporting. It is responsible for ensuring the effectiveness of the Group's risk management and internal controls, evaluating, prioritising and managing material ESG issues, as well as adopting ESG strategies and targets, and reviewing the progress of the targets regularly.

The Group has assigned designated personnel to oversee the implementation of the Board's ESG decisions. The said personnel are responsible for collecting and analysing the relevant ESG information, identifying and assessing the Group's ESG risks, as well as reviewing and implementing ESG-related policies, guidelines, and measures. The designated personnel from various functional departments also identify, evaluate, and prioritise material ESG issues through materiality assessment, which is further reviewed and endorsed by the Board. In addition, the said personnel periodically report ESG-related matters to the Board for the evaluation and subsequent implementation or revision of the Group's ESG strategies and management approaches, and to ensure appropriate risk management on ESG.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group values feedback from its stakeholders as it brings invaluable direction for the continuous development of the Group. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group's operations and performances. By using diversified communication channels as shown below, the Group garners a better understanding of its stakeholders' expectations and concerns, which helps the Group to enhance its operations and ESG strategies.

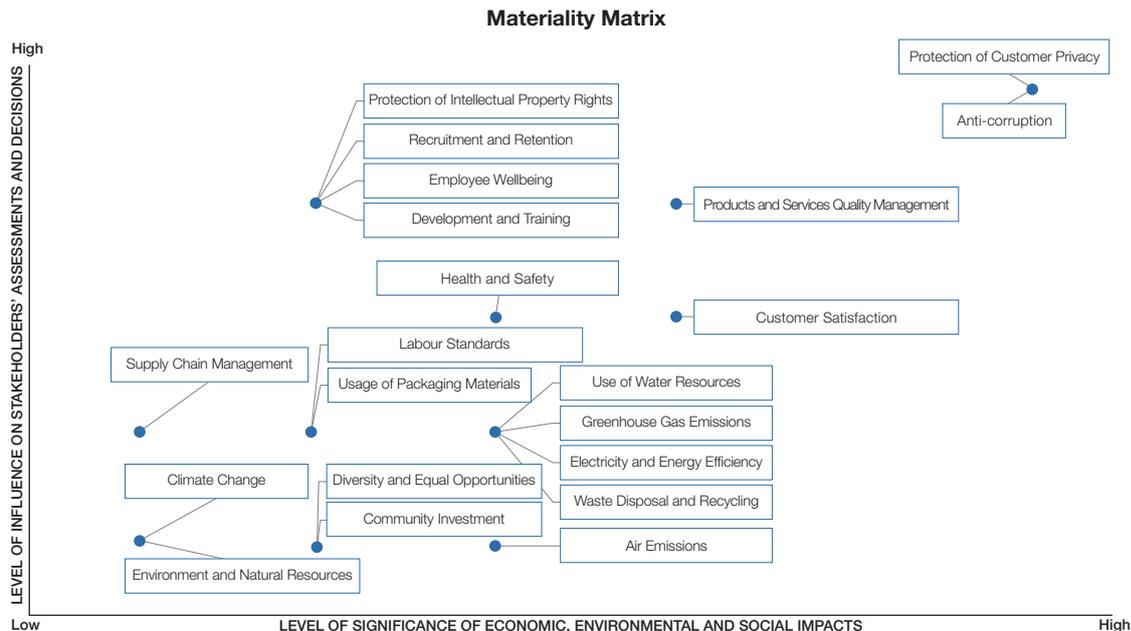
Stakeholders	Expectations and Concerns	Communication Channels
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Labour rights</li> <li>• Employee remuneration and benefits</li> <li>• Healthy and safe working environment</li> <li>• Training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Training and orientation</li> <li>• Email and opinion box</li> <li>• Regular meetings</li> <li>• Employee performance evaluation</li> <li>• Employee activities</li> </ul>
<b>Investors and Shareholders</b>	<ul style="list-style-type: none"> <li>• Profit and return</li> </ul>	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Company's announcements</li> <li>• General meetings</li> <li>• Annual and interim reports</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Quality of works</li> <li>• Data security</li> <li>• Environmental-friendly operation</li> </ul>	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Customer's direct communication</li> <li>• Customer's feedback and complaints</li> </ul>
<b>Suppliers and Business Partners</b>	<ul style="list-style-type: none"> <li>• Operational efficiency</li> <li>• Stable and trust-worthy business relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement process</li> <li>• Regular communication with business partners (e.g., email, meetings on-site visits, etc.)</li> </ul>

# Environmental, Social and Governance Report

Stakeholders	Expectations and Concerns	Communication Channels
<b>Community and Non-governmental Organisation</b>	<ul style="list-style-type: none"> <li>• Community support</li> <li>• Pollution</li> <li>• Product health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Community activities</li> <li>• Email and hotline</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Quality of works</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Company's announcements</li> </ul>

In order to ensure that this ESG Report has fully covered and responded to the major issues of concern to stakeholders, the Board would review and assess the ESG strategy and development annually. The Board and management had identified ESG issues that may have a potential impact on its sustainable development from various sources including issues identified in the Group's previous ESG reports and policies. The ESG issues have been analysed with reference to an array of factors, including the Group's overall ESG strategy, development, and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact.

The Group has identified its material ESG issues as below. The Group assessed the importance of each issue based on its level of influence on stakeholders' assessments and decisions, as well as its level of significance on the business. The materiality assessment results are used to determine the focus of disclosure in the ESG Report and formulate the Group's ESG strategy.



## CONTACT US

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give suggestions or share your views with the Group via email at [cel@capitalestate.com.hk](mailto:cel@capitalestate.com.hk).

# Environmental, Social and Governance Report

## ENVIRONMENTAL ASPECT

As a responsible corporate citizen, the Group understands that environmental protection is of utmost importance to the long-term benefit of society. The Group consistently evaluates its internal policies and pertinent guidelines, aiming to incorporate the principles of sustainable development into its daily operations and mitigate any adverse environmental effects stemming from its business growth.

The Group's commitment to the environment is mainly focused on energy saving, minimising paper consumption and reducing waste by recycling. To incorporate environmental sustainability into its business operations, the Group will establish environmental-related policies to manage and minimise the impacts of the Group's operations on the environment. The Group strictly complies with laws and regulations regarding environmental and resource management, including but not limited to the Environmental Protection Law of the PRC. During the Reporting Period, the Group was not aware of any cases of material non-compliance with relevant laws and regulations relating to air emissions and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that might have a significant impact on the Group.

## EMISSIONS

### *Air Emissions*

The Group's air emissions generated from business operations of the Group mainly include nitrogen oxides ("NO<sub>x</sub>"), sulphur oxides ("SO<sub>x</sub>") and particulate matter ("PM") from the use of company vehicles. To monitor the potential environmental impacts of our operations and to ensure that the corresponding emission levels are in accordance with the legal requirements, vehicles are under regular repair and maintenance to control the quality of the emitted air.

As the Group's data collection system becomes more mature, the Group will start to disclose its air emissions data on a continuous basis from 2023 onwards. During the Reporting Period, the Group's NO<sub>x</sub>, SO<sub>x</sub> and PM intensity were approximately 0.064 g per room night<sup>1</sup>, 0.002 g per room night, and 0.005 g per room night, respectively. The Group will continue to strive to reduce its air emissions, aiming to achieve the goal of maintaining or reducing the intensity of air emissions in the next reporting year based on 2023.

### *Greenhouse Gas Emissions*

The major sources of GHG emissions of the Group were direct GHG emissions (Scope 1) from the consumption of petrol and diesel by company vehicles, as well as the natural gas by the boilers and gas cooking stoves. In addition, the Group's energy indirect GHG emissions (Scope 2) were from purchased electricity, and other indirect GHG emissions (Scope 3) were from the usage of paper in its business operation. In line with the nation's strategic development of overall GHG emissions reduction to achieve the sustainable development goal of energy-saving and carbon reduction, the Group has been actively reducing GHG emissions by reducing energy consumption. With respect to the emission sources mentioned above, we actively adopt the following emission reduction measures:

- Efficient lighting solutions: 95% of our low-efficiency lighting system has been replaced with LED and energy-saving lamps;
- Heating, ventilation, and air conditioning (HVAC) optimisation: A 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;

<sup>1</sup> During the Reporting Period, the Group's total room nights in the hotel operations are 18,370. This data will also be used for calculating other intensity data. The intensities of air emissions have been supplemented to monitor the Group's progress towards relevant targets.

# Environmental, Social and Governance Report

- Frequency inverters are used to control electronic products with high-power output;
- Energy-saving stoves are applied in kitchens; and
- Switch off idling lighting, personal computer, and other devices.

During the Reporting Period, the Group's total GHG emissions were approximately 2,524.52 tCO<sub>2</sub>e, its intensity was approximately 0.14 tCO<sub>2</sub>e per room night. The Group will continue to strive to reduce its GHG emissions, aiming to achieve the goal of maintaining or reducing the intensity of GHG emissions in the next reporting year based on 2023.

## *Waste Disposal and Recycling*

The Group adheres to the principles of sustainable waste management and is dedicated to minimising the amount of waste generated from its business activities. To maintain a high standard in reducing waste, the Group educates its employees on the importance of sustainable development and provides them with relevant support to improve their awareness and knowledge of responsible disposal.

### *Hazardous Waste*

Due to the Group's business nature, the amount of hazardous waste generated by the Group is minimal, thus the Group does not have a relevant target for the reduction of hazardous waste. Nevertheless, the Group remains vigilant, and should any hazardous waste be generated, it will appoint a qualified waste collector to handle such waste in order to comply with relevant environmental laws and regulations.

### *Non-hazardous Waste*

The Group actively promotes environmental awareness among employees and advocates for a "paperless" approach to reduce paper consumption. Electronic communication is encouraged for general office operations, and employee, customer, and supplier information is stored electronically. Guest room reservations are confirmed and processed through online platforms or electronic means. Additionally, staff members are encouraged to utilise double-sided printing to minimise paper usage and waste. During the Reporting Period, the Group's total non-hazardous waste was approximately 210.00 kg, its intensity was approximately 0.01 kg per room night. The Group will continue to strive to reduce its non-hazardous waste consumption, aiming to achieve the goal of maintaining or reducing the intensity of non-hazardous waste in the next reporting year based on 2023.

The Group encourages recycling and has posted signage in the hotel to promote environmental protection for recycling and reusing papers, plastic, glass and other materials. By adopting these measures, the Group demonstrates its commitment to environmental sustainability and waste reduction in its operation.

# Environmental, Social and Governance Report

## USE OF RESOURCES

The Group places a strong emphasis on promoting environmental protection and raising environmental awareness among its employees. It actively promotes the efficient utilisation of resources, including energy, water, and other natural resources, while continuously striving to minimise any negative impacts on the natural environment. The Group will establish environmental-related policies and is devoted to implementing environmental control and monitoring measures in its business activities and workplace.

### *Electricity and Energy Efficiency*

The Group's energy consumption was mainly contributed by direct energy consumption from petrol, diesel and natural gas, and indirect energy consumption from the use of purchased electricity.

In response to the scarcity of natural resources, we have implemented energy-efficiency measures to promote responsible electricity usage among our employees. During the Reporting Period, the Group's total energy consumption was approximately 5,263.43 MWh, its intensity was approximately 0.29 MWh per room night. The Group will continue to strive to reduce its energy consumption, aiming to achieve the goal of maintaining or reducing the intensity of energy consumption in the next reporting year based on 2023.

### *Use of Water Resources*

The Group places a high emphasis on water conservation and implements various measures to prevent unnecessary water wastage in daily operations. To address potential water leaks, the Group conducts regular inspections and promptly repairs any broken pipes or valves. This proactive approach helps to detect leaks early and minimise water loss. In washrooms throughout the hotel, sensor faucets are installed to reduce water consumption. These faucets automatically control the flow of water, ensuring that it is used efficiently and only when needed. To encourage guest participation in water conservation efforts, the Group places "environmental cards" in the guest rooms. These cards inform guests that bed sheets and towels are only replaced and cleaned upon their request. By reducing the frequency of changing these items, the Group aims to conserve water used in laundry operations. By implementing these measures, the Group actively promotes water conservation and encourages both employees and guests to play a role in protecting this precious resource.

During the Reporting Period, the Group's total water consumption included the usage in the guest rooms, staff canteen, hotel restaurant, and related daily operations. Its total water consumption was approximately 63,429.00 m<sup>3</sup>, its intensity was approximately 3.45 m<sup>3</sup> per room night. The Group will continue to strive to reduce its water consumption, aiming to achieve the goal of maintaining or reducing the intensity of water consumption in the next reporting year based on 2023. Due to the geographical location of the Group's business operations, the Group does not have any issues in sourcing water that is fit for its purpose and believes that its water consumption is at a reasonable level.

### *Use of Packaging Materials*

As to the Group's business nature, the Group is not involved in the use of packaging materials, and thus the disclosure regarding packaging materials is irrelevant to the Group.

# Environmental, Social and Governance Report

## ENVIRONMENT AND NATURAL RESOURCES

The Group does not pose significant environmental impacts and demonstrates a strong commitment to environment and natural resources protection. We consistently adhere to internal policies, implementing energy-saving measures, waste management practices, and relevant green initiatives. Our steadfast dedication allows us to avoid significant environmental impacts and excessive consumption of natural resources.

## CLIMATE CHANGE

The Group has proactively recognised climate change-related risks as a significant component of our ESG strategy. We have prioritised the disclosure of relevant information with reference to the recommendations provided by the Task Force on Climate-related Financial Disclosures (TCFD). To ensure effective risk management, the Group evaluates and reviews the response strategies regularly. This process enables us to assess the relevance and effectiveness of our strategies in addressing climate change challenges. The outcomes of these evaluations are reported to the Board, demonstrating transparency and accountability in our approach to climate change.

By incorporating climate change-related risks into our ESG framework, engaging with stakeholders, and regularly reviewing our response strategies, we are committed to addressing the concerns of the international community regarding climate change. Our aim is to safeguard our operations, protect the interests of our stakeholders, and contribute to a more sustainable future. The Group defines time horizons as Short-term: 1–5 years, Medium-term: 6–10 years, Long-term:  $\geq$  11 years.

Risk Type	Risks	Potential Financial Impact	Time Horizon	Mitigation Strategy
Physical Risks	Extreme weather conditions e.g., extreme hot, severe tropical cyclones	Increase in cooling cost due to higher cooling demand Increase in operating and repair costs due to the damage of tropical cyclones	Long-term	Adopted energy conservation measures
Transition Risks	Changes in environmental-related regulations	Increase in operating cost	Medium- and Long-term	To closely monitor the development of related regulations as to formulate plan in time to meet the requirement

## SOCIAL ASPECT

### OUR EMPLOYEES

#### *Employment*

Employees represent the most valuable assets of an enterprise, constituting the core driving force behind the enhancement of competitiveness and the facilitation of long-term development in order to attract and retain talented individuals. To protect the legitimate rights of employees and establish clear guidelines for their duties, the Group has distributed the Employee Handbook to every employee of the hotel operations. It states the terms and conditions of employment, including terms relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, and other benefits and welfare.

# Environmental, Social and Governance Report

The Group strictly complies with the Labour Law of the PRC (《中華人民共和國勞動法》), and other applicable laws in the regions where the Group operates, as well as industry standards. In consideration of work experience, strengths, academic background, and various other criteria, we select our talent without any form of discrimination based on nationality, age, religion, gender, marital status, disability, or any other distinguishing factors. During the Reporting Period, there was no incident of non-compliance with or violation of laws and regulations that had a significant impact on the Group relating to employment.

We provide our employees with a fair and competitive salary and benefits package, which includes paid holidays, social insurance, commercial insurance, and other relevant components. Additionally, our organisation continuously enhances its recruitment and promotion programmes. Regular evaluations of employees' job performance, professional skills, work experience, and growth potential are conducted to ensure equitable promotion and salary increments.

We prioritise the well-being of our employees and continually enhance their welfare through the coordination of various activities and channels. To foster a supportive environment, the Group established an "Employee Aid Association" that encourages mutual assistance among employees. This platform enables them to share their perspectives and recommendations on hotel operations, fostering effective communication between employees and the company. Furthermore, the Group organises entertaining events to strengthen employees' sense of belonging and provide recreational facilities such as television sets in the dormitory, for the employees to enrich their leisure time after work.

As of 31st July, 2023, the Group had a total of 44 employees (2022: 35 employees) in the hotel operations. All these employees are full-time employees located in Foshan. For more employment details, please refer to the section headed "Performance Table".

## *Health and Safety*

The Group places utmost importance on occupational safety and prioritises the health and well-being of its employees. A safe and stable working environment is diligently provided to ensure the welfare of the staff. To minimise accidents and injuries, the employees are equipped with appropriate protective gear. This includes providing cut-resistant gloves and slip-resistant shoes to reduce the risk of accidents related to sharp objects or slippery surfaces. For specific job positions that involve specialised skills or potential hazards, such as electricians, elevator operators, and lifeguards, the Group requires employees to hold professional certificates. This ensures that individuals in these roles possess the necessary training and qualifications to carry out their responsibilities safely and effectively. By implementing these measures, the Group demonstrates its commitment to creating a safe working environment and ensuring the occupational safety of its employees.

The Group is committed to complying with the Fire Protection Law of the PRC (《中華人民共和國消防法》) and maintains a stringent fire safety control system in its hotel. Fire safety requirements are meticulously followed, and fire-fighting equipment is prepared accordingly. To ensure preparedness and enhance fire safety awareness among employees, the Group regularly conducts training sessions on fire safety knowledge and practical field training. This includes educating employees on the proper use of fire extinguishers and equipping them with the necessary skills to handle fire emergencies. Additionally, training on first-aid knowledge and public hygiene is provided to further promote safety and well-being. As part of the Group's commitment to fire safety, the local Fire Department is invited to the hotel annually to perform fire drills. These drills simulate real-life emergency situations and allow employees to practise their response and evacuation procedures under the guidance of fire safety professionals. By adhering to fire safety regulations, providing comprehensive training and conducting regular fire drills, the Group prioritises the safety of its employees and guests and ensures preparedness in the event of a fire emergency.

# Environmental, Social and Governance Report

During the Reporting Period, there were no work-related accidents within the Group, and there was no incident that caused work-related fatalities (2022: 0 accidents and fatalities).

## *Development and Training*

The Group places significant emphasis on the growth and development of its employees. Various training programs are implemented to enhance their management and professional skills, thereby improving their competitiveness.

The employees and executives receive regular training sessions on management and professional skills. These programs are designed to equip employees with the necessary knowledge and capabilities to excel in their roles. To provide a comprehensive understanding of the organisation, all new employees are provided with an Employee Handbook, which outlines the operation's regulations, systems, professional behaviour standards, and code of ethics. The human resources department takes responsibility for conducting orientation training for new employees. This training helps them assimilate into the Group's corporate culture, understand their job requirements, and familiarise themselves with their work environment, facilitating a quicker integration into their respective teams.

Recognising the importance of service quality in the hospitality sector, the Group offers training programs focused on service etiquette, professional moral standards, and English language proficiency. These programs aim to enhance service quality and communication skills, ultimately raising the overall service level provided to guests. For senior management, value-added programs such as "How to Build an Excellent Team," "Enhancing Execution Capability," and "Developing Sense of Belonging" are offered to improve their management skills and strengthen team cohesion and execution.

During the Reporting Period, the Group organised different training courses. All employees were trained, with approximately 0.41 hours of the average of training hours per employee (2022: 0.57 hours). These efforts highlight the Group's commitment to employee development and continuous improvement. By investing in employee training and professional growth, the Group fosters a skilled and motivated workforce, resulting in enhanced service quality and overall organisational success.

## *Labour Standards*

The Group respects human rights and strictly prohibits any unethical hiring practices, including child labour and forced labour in the workplace. The Group conducts recruitment in accordance with, including but not limited to, the Labour Law of the PRC. Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' eligibility. Through well-established recruitment policies, the Group ensures that its employees are all above the minimum legal working age.

Furthermore, the Group has developed basic working hours and rest periods for employees according to local employment laws and regulations and has stated those in the Group's Employee Handbook.

If there is any suspected violation case regarding child and forced labour, the Group will conduct an investigation. When the violation case is confirmed, the Group will terminate the employment contract immediately and may take disciplinary actions against any staff members who are responsible for the cause of the incident. Throughout the Reporting Period, no instances of child labour or forced labour were identified.

# Environmental, Social and Governance Report

## OPERATING PRACTICES

### *Supply Chain Management*

The Group recognises the significance of sustainable supply chain management in ensuring the stability and high quality of its products and services. To achieve this, the Group follows fair, impartial, and tender procedures and implements stringent supplier management and examination standards. A clear and customised procurement standard will be established to ensure the selection of qualified and high-quality suppliers. Specialised procurement department has been set up to oversee procurement activities. Close communication and trust-building efforts are expected to be carried out with suppliers to establish mutually beneficial partnerships before making procurement decisions. The Group's procurement officers strictly adhere to procurement regulations and systems.

When selecting suppliers, various factors are taken into consideration, including the supplier's consistency in maintaining production quality, management experience, research capabilities, equipment level, source of raw materials, delivery time, and track record. These criteria are aligned with the Group's specific needs and requirements. Procurement prices are determined based on monthly price fluctuations to control supply costs effectively and achieve optimal economic and environmental efficiency.

The Group will conduct inspections and assessments to ensure that the social and environmental performance of suppliers meets the Group's standards if necessary. The Group also encourages its business partners and suppliers to consider climate risks and actively mitigate their environmental impacts during supplier management meetings and events. In addition, the Group gives priority to purchasing recycled and environmentally friendly products and promotes local procurement to reduce the carbon emissions arising from the transportation of the supplies. The Group closely monitors the procurement made by the staff and forbids any practices that are against business ethics, and any material violation of the Group's policies or any laws and regulations. Such violations may lead to the termination of both employment contracts and supplier contracts.

By implementing these measures, the Group ensures the procurement of high-quality products and services while prioritising sustainability and local engagement. This approach strengthens the Group's commitment to responsible procurement practices and environmental stewardship. During the Reporting Period, 10 suppliers (2022: 8 suppliers) from Mainland China were engaged for the hotel operations, resulting in more efficient and environmentally friendly procurement processes, and have been evaluated according to the aforementioned supply chain management practices.

### *Product and Service Quality*

The Group places a strong focus on customer satisfaction by prioritising their needs and opinions. Product and service quality-related policies are in place for handling complaints, and designated account officers and secretaries are assigned to promptly respond to customer inquiries and provide tailored and responsible services. Through various channels such as sales visits, a 24-hour service hotline, and opinion boxes, the Group actively seeks customer feedback and maintains open communication with them. This allows the Group to make customised arrangements and continuous improvements to enhance customer satisfaction and loyalty. During the Reporting Period, the Group did not receive any material number of products and service-related complaints (2022: 0 complaints).

In addition to service quality, the Group is committed to maintaining excellent dining standards. Food safety and quality are given high importance, and strict control measures are implemented for food suppliers in relation to raw materials, processing procedures, and environmental conditions. If any potential and significant food safety issues are identified, the Group takes immediate action to terminate partnerships with such suppliers.

# Environmental, Social and Governance Report

Due to the Group's business nature, the Group's businesses do not involve the manufacture and sale of physical products. The number of recalls for safety and health reasons and the relevant recall procedures are not applicable to the Group.

To safeguard the legal rights and personal privacy of guests, the Group complies with the China Tourism Hotel Industry Code (《中國旅遊飯店行業規範》) and other national regulations. The collection of necessary personal data is based on operational needs, and it is only used for designated purposes. Proper data management ensures that unauthorised staff members are prohibited from accessing guests' personal data, and it is not read, used, edited, or disclosed without authorisation. Guest data is also not used for advertising purposes to protect their privacy. In addition, the Group reviews the effectiveness of relevant privacy policies and measures annually.

Promotional campaigns conducted by the Group adhere to the Advertising Law of the PRC (《中華人民共和國廣告法》), the Measures for the Administration of Internet Advertisements (《互聯網廣告管理辦法》), and other applicable laws and regulations. Labelling of its products should also be accurate, legitimate, clear, and not misleading in order to avoid any non-compliance with relevant laws and regulations. The Group ensures that consumers have access to adequate information to make informed choices.

Throughout the Reporting Period, the Group has complied with all relevant laws and regulations that significantly impact the Group in relation to health and safety, advertising, labelling, and privacy matters. This commitment to compliance demonstrates the Group's dedication to operating within legal frameworks and maintaining high standards in these areas.

## *Anti-Corruption*

The Group maintains a strong commitment to honesty and integrity in its business operations, and it has zero tolerance for bribery, money laundering, fraud, and other illegal activities involving its staff, suppliers, and business partners. The Employee Handbook clearly outlines the expectation for employees to uphold business ethics and refrain from seeking or accepting any unlawful benefits. Employees are also encouraged to report any acts of corruption, and the Group provides protection for whistle-blowers. Violations of these regulations are met with disciplinary action, ranging from verbal warnings to dismissal.

The Group regularly reviews and updates its anti-corruption-related policy to ensure its effectiveness. It adopts a fair and transparent tender mechanism and conducts regular reassessments to minimise the risks of corruption in its business operations.

The Group strictly complies with laws and regulations regarding anti-corruption, including but not limited to the Criminal Law of the PRC (《中華人民共和國刑法》). During the Reporting Period, the Group was not aware of any material non-compliance issues with relevant laws and regulations relating to bribery, extortion, fraud, money laundering and other corrupt practices that might have a significant impact on the Group. In addition, there were no concluded legal cases (2022: 0 cases) regarding corrupt practices brought against the Group or its employees during the Reporting Period.

During the Reporting Period, 2 directors and 5 employees participated in anti-corruption training with total training hours of 6 hours and 15 hours, respectively. Such training could enrich their professional skills and knowledge in their respective roles and responsibilities regarding anti-corruption and business ethics. By upholding a strong anti-corruption stance and encouraging a culture of ethics and compliance, the Group safeguards its reputation and fosters a trustworthy environment for both employees and business partners.

# Environmental, Social and Governance Report

## COMMUNITY

### *Community Investment*

The Group actively fulfils its corporate citizenship by contributing to the communities where it operates. It gives priority to offering available job positions to local residents, thereby improving the local employment rate and supporting the local workforce. The Group also follows the principle of local procurement, purchasing products and services from local suppliers, which helps stimulate the local economy and foster economic growth in the region.

The Group will establish community investment-related policies and implemented relevant guidelines on community investment, to empower our employees to volunteer in various ways that advance the Group's purposes and strengthen their sense of social responsibility. In respect of the social distancing measure during COVID-19, the Group did not organise any voluntary events during the Reporting Period to safeguard the health of both employees and society.

Looking forward, the Group is dedicated to continuously improving its ESG efforts. It aims to integrate the principles of sustainable development into its daily operations, ensuring that sustainability is a core aspect of its business practices, and will focus on contributing to the environmental concerns, and health of employees and customers in the future. By upholding the spirit of "giving back to the society," the Group reaffirms its commitment to corporate social responsibility and strives to make a positive impact on the communities it serves.

# Environmental, Social and Governance Report

## PERFORMANCE TABLE

### Environmental

<b>Air emissions<sup>2</sup></b>	<b>Unit</b>	<b>2023</b>
Nitrogen oxides (NO <sub>x</sub> )	g	1,180.37
Sulphur oxides (SO <sub>x</sub> )	g	33.02
Particulate matter (PM)	g	86.91
<b>GHG emissions<sup>3</sup></b>	<b>Unit</b>	<b>2023</b>
Direct GHG emissions – Scope 1	tCO <sub>2</sub> e	265.81
Energy indirect GHG emissions – Scope 2	tCO <sub>2</sub> e	2,257.70
Other indirect GHG emissions – Scope 3	tCO <sub>2</sub> e	1.01
<b>Total GHG emissions – Scope 1, 2 and 3</b>	<b>tCO<sub>2</sub>e</b>	<b>2,524.52</b>
<b>Intensity</b>	<b>tCO<sub>2</sub>e/room night</b>	<b>0.14</b>
<b>Non-hazardous waste</b>	<b>Unit</b>	<b>2023</b>
Paper to landfill	Kg	210.00
<b>Total non-hazardous waste</b>	<b>Kg</b>	<b>210.00</b>
<b>Intensity</b>	<b>Kg/room night</b>	<b>0.01</b>
<b>Energy</b>	<b>Unit</b>	<b>2023</b>
<b>Direct energy consumption<sup>4</sup></b>	<b>MWh</b>	<b>1,304.63</b>
Petrol	MWh	20.34
Diesel	MWh	1.44
Natural gas	MWh	1,282.85
<b>Indirect energy consumption</b>	<b>MWh</b>	<b>3,958.80</b>
Purchased electricity	MWh	3,958.80
<b>Total energy consumption</b>	<b>MWh</b>	<b>5,263.43</b>
<b>Intensity</b>	<b>MWh/room night</b>	<b>0.29</b>
<b>Water</b>	<b>Unit</b>	<b>2023</b>
<b>Total water consumption</b>	<b>m<sup>3</sup></b>	<b>63,429.00</b>
<b>Intensity</b>	<b>m<sup>3</sup>/room night</b>	<b>3.45</b>

<sup>2</sup> The calculation method of air emissions refers to “How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the HKEX.

<sup>3</sup> GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, the “Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025” issued by the Ministry of Ecology and Environment of the PRC, the global warming potential values from the “Sixth Assessment Report” issued by the Intergovernmental Panel on Climate Change, and “How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the HKEX.

<sup>4</sup> The calculation of unit conversion refers to the “Energy Statistics Manual” issued by the International Energy Agency.

# Environmental, Social and Governance Report

## Social

<b>Workforce profile<sup>5</sup></b>	<b>2023</b>	<b>2022<sup>6</sup></b>
<b>Total workforce</b>	<b>44</b>	<b>35</b>
<b>By gender</b>		
Male	24	15
Female	20	20
<b>By age group</b>		
Below 30	2	1
30–49	38	26
50 or above	4	8
<b>By employment type</b>		
Full-time	44	35
Part-time	0	0
<b>By geographical region</b>		
Mainland China	44	35
<b>Turnover rate<sup>7</sup></b>	<b>2023</b>	<b>2022<sup>8</sup></b>
<b>Total employee turnover rate</b>	<b>9.09%</b>	<b>11.43%</b>
<b>By gender</b>		
Male	12.50%	20.00%
Female	5.00%	5.00%
<b>By age group</b>		
Below 30	50.00%	100.00%
30–49	7.89%	11.54%
50 or above	0.00%	0.00%
<b>By geographical region</b>		
Mainland China	9.09%	11.43%
<b>Occupational health and safety</b>	<b>2023</b>	<b>2022</b>
Number of lost days due to work injury	0	0
Number of work-related fatalities	0	0
Rate of work-related fatalities <sup>9</sup>	0	0

<sup>5</sup> Workforce profile reflects the Group's human capital portfolio as of 31st July, 2023.

<sup>6</sup> As the Group's data collection system has been updated, the Group's 2022 workforce profile has been restated.

<sup>7</sup> Turnover rate is calculated as the "total number of employees leaving employment during the financial year divided by the total number of employees at the end of the financial year and then multiplied by 100%".

<sup>8</sup> The Group has updated its statistical approach on its turnover rate, hence the Group's 2022 figures have been restated.

<sup>9</sup> There were no work-related fatalities in the past 3 years including the Reporting Period.

# Environmental, Social and Governance Report

Training and development	2023		2022	
	The percentage of employees trained <sup>10</sup>	Average training hours completed per employee <sup>11</sup>	The percentage of employees trained	Average training hours completed per employee <sup>12</sup>
<b>Total</b>	<b>100.00%</b>	<b>0.41</b>	<b>NA</b>	<b>0.57</b>
<b>By gender</b>				
Male	100.00%	0.41		N/A
Female	0.00%	0.00		
<b>By employee category</b>				
Senior management	0.00%	0.00		
Middle management	0.00%	0.00		N/A
General	100.00%	0.41		
<b>Supply chain management</b>	<b>2023</b>		<b>2022</b>	
<b>Total key suppliers</b>	<b>10</b>		<b>8</b>	
<b>By geographical region</b>				
Mainland China		10		8
<b>Anti-corruption</b>	<b>2023</b>		<b>2022</b>	
Concluded legal case		0		0
<b>Number of anti-corruption trainees</b>				
Directors		2		N/A
Employees		5		N/A
<b>Number of anti-corruption training hours</b>				
Directors		6		N/A
Employees		15		N/A

<sup>10</sup> The percentage of employees trained is calculated as the "total number of employees trained during the financial year divided by the total number of employees at the end of the financial year and then multiplied by 100%".

<sup>11</sup> Average training hours completed per employee is calculated as the "total hours of employees trained during the financial year divided by the total number of employees at the end of the financial year".

<sup>12</sup> As the Group's data collection system has been updated, the Group's 2022 average training hours completed per employee has been restated.

# Environmental, Social and Governance Report

## HKEX REPORTING GUIDE CONTENT INDEX

Aspect	Description	Chapter/Section
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) 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 Approach
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Emissions – Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Emissions – Waste Disposal and Recycling
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Emissions – Waste Disposal and Recycling
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – Greenhouse Gas Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Disposal and Recycling

## Environmental, Social and Governance Report

Aspect	Description	Chapter/Section
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Use of Resources – Electricity and Energy Efficiency
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Use of Resources – Use of Water Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Electricity and Energy Efficiency and Emissions – Greenhouse Gas Emissions
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Use of Water Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

# Environmental, Social and Governance Report

Aspect	Description	Chapter/Section
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) 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 – Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Our Employees – Employment, Performance Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our Employees – Employment, Performance Table
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) 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.	Our Employees – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our Employees – Health and Safety, Performance Table
KPI B2.2	Lost days due to work injury.	Our Employees – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our Employees – Health and Safety
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Our Employees – Development and Training, Performance Table
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees – Development and Training, Performance Table

## Environmental, Social and Governance Report

Aspect	Description	Chapter/Section
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our Employees – Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our Employees – Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our Employees – Labour Standards
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Operating Practices – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices – Supply Chain Management

## Environmental, Social and Governance Report

Aspect	Description	Chapter/Section
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) 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.	Operating Practices – Product and Service Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating Practices – Product and Service Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Operating Practices – Product and Service Quality, Performance Table
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices – Product and Service Quality
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices – Product and Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating Practices – Product and Service Quality

# Environmental, Social and Governance Report

Aspect	Description	Chapter/Section
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operating Practices – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operating Practices – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operating Practices – Anti-corruption
<b>Aspect B8: Community Investment</b>		
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 – Community Investment
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	Community – Community Investment
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Community – 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, 2023.

## 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 11 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 21 to 41 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, 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57.

## 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, 2023 are set out on page 128 of this annual report.

## SHARE CAPITAL

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

## SHARE OPTIONS

The Company had a share option scheme adopted on 7th December, 2012, which was expired on 6th December, 2022.

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 before the expiry of the scheme.

## DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st July, 2023 and 2022, 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*)

Chu Nin Yiu, Stephen (*Chief Executive Officer*)

### Non-Executive Director

Lam Yiu Cho

### Independent Non-Executive Directors

Yeung Chi Wai

Wong Kwong Fat

Chan Shu Yan, Stephen

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Tsui Wing Tak and Mr. Yeung Chi Wai 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' Report

## DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, Mr. Tsui Wing Tak and 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. 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, Mr. Tang Ho Ching 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, 2023, 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*

Name of Director	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Tsui Wing Tak ("Mr. Tsui")	–	–	55,000,000 (Note 1)	55,000,000	28.3%
Chu Nin Yiu, Stephen ("Mr. Chu")	16,240,750	–	31,650,555 (Note 2)	47,891,305	24.6%

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 31,650,555 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, 2023.

## **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, none of the Directors has interest in business which competes or are likely to compete with the businesses of the Group.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2023, 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*

Name of shareholder	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
AE Majoris	55,000,000	–	–	55,000,000	28.3%
Mr. Tsui	–	–	55,000,000 (Note 1)	55,000,000	28.3%
Supervalue	31,650,555	–	–	31,650,555	16.3%
Mr. Chu	16,240,750	–	31,650,555 (Note 2)	47,891,305	24.6%

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 31,650,555 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, 2023.

## **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 14 to 20 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, 2023.

## **AUDITOR**

The consolidated financial statements of the Group for the year ended 31st July, 2023 have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

**Tsui Wing Tak**

*Chairman*

30th October, 2023



### 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 57 to 126, which comprise the consolidated statement of financial position as at 31st July, 2023, 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 material accounting policy information and other explanatory information.

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, 2023, 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 notes 4(a) and 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 ultimate controlling shareholders of Tin Fok are the spouse and daughters of a former director of the Company, Mr. Sio Tak Hong ("Mr. Sio"). 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 years ended 31st July, 2022 and 31st July, 2023 prepared in accordance with HKFRSs provided by management of Tin Fok. The Group has recognised a share of loss of an associate amounting to HK\$25,264,000 and HK\$991,000 on the consolidated statement of profit or loss and other comprehensive income for the years ended 31st July, 2022 and 31st July, 2023, respectively and carried an interest in an associate amounting to HK\$145,866,000 and HK\$144,875,000 on the consolidated statement of financial position as at 31st July, 2022 and 31st July, 2023, respectively, in which no impairment was recognised for both years. Furthermore, as detailed in notes 22 and 20 to the consolidated financial statements, the Group carried an amount due from an associate amounting to HK\$8,031,000 and HK\$7,524,000 as at 31st July, 2022 and 31st July, 2023, respectively and dividend receivable from an associate amounting to HK\$12,621,000 as at 31st July, 2022 and 31st July, 2023, in which no expected credit loss ("ECL") allowance was recognised on these receivables from the associate for both years. Significant management judgements and estimates are involved in assessing these balances.

# Independent Auditor's Report

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

### Basis for Qualified Opinion *(Continued)*

As set out in our auditor's report dated 31st October, 2022 on the Group's consolidated financial statements for the year ended 31st July, 2022, we have previously qualified our opinion due to the limitation on the scope of our audit as we were unable to obtain sufficient appropriate audit evidence to assess:

- (i) ECL on loan to Mr. Sio and impairment on property, plant and equipment in respect of Tin Fok Group's hotel operations; and hence whether 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 for the year ended 31st July, 2022 were free from material misstatements;
- (ii) impairment on interest in an associate as at 31st July, 2022 and hence whether 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 were free from material misstatements; and
- (iii) ECL on amount due from an associate and dividend receivable from an associate as at 31st July, 2022 and hence whether amount due from an associate and dividend receivable from an associate at 31st July, 2022 and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group were free from material misstatements;

and we were unable to determine whether any adjustments to interest in an associate, amount due from an associate and dividend receivable from an associate as at 31st July, 2022, and share of loss of an associate and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group were necessary. In addition, we were also unable to determine whether the related disclosures in the consolidated financial statements of the Group for the year ended 31st July, 2022 were sufficient and appropriate.

### *Interest in an associate*

- (1)(a) As set out in note 4(a) to the consolidated financial statements, Tin Fok Group carried a loan to Mr. Sio and interest receivables from Mr. Sio amounting to HK\$967,600,000 and HK\$30,972,000, respectively, in which no ECL allowance was recognised on its consolidated statement of financial position as at 31st July, 2022. During the year ended 31st July, 2023, Tin Fok, Mr. Sio, certain private companies that are related companies of Mr. Sio and an individual entered into a Deed of Novation. Pursuant to the Deed of Novation, (i) the loan to Mr. Sio amounting to HK\$967,600,000, (ii) interest receivables from Mr. Sio amounting to HK\$30,972,000, and (iii) payables to a private company and the individual carried in the consolidated financial statements of Tin Fok Group with an aggregate amount of HK\$290,570,000 were novated to another private company which is a related company of Mr. Sio ("Entity A").

# Independent Auditor's Report

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

*Basis for Qualified Opinion (Continued)*

*Interest in an associate (Continued)*

(1)(a) - (Continued)

During the year ended 31st July, 2023, repayments from Entity A amounting to HK\$55,363,000 were received by Tin Fok Group. As at 31st July, 2023, Tin Fok Group carried the loan to Entity A and the related interest receivables amounting to HK\$629,862,000 and HK\$59,626,000, respectively. The loan to Entity A carried in the consolidated financial statements of Tin Fok Group is unsecured and interest bearing, and the repayment date of the loan was extended to 30th September, 2023 pursuant to the Supplemental Deed to the Deed of Novation entered into among Tin Fok, Mr. Sio, certain private companies that are related companies of Mr. Sio and an individual during the year ended 31st July, 2023. For the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2023, the management of Tin Fok and the management of the Group assessed the ECL of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group. The management of Tin Fok and the management of the Group are of the view that, by considering the net asset position of Entity A, the credit risk related to the loan to and interest receivables from Entity A was not significantly increased and the amounts are still recoverable and hence no ECL allowance in respect of loan to and interest receivables from Entity A under HKFRS 9 "Financial Instruments" ("HKFRS 9") issued by the HKICPA in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023 is required. However, the management of the Group was not able to provide us the ECL assessment on the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group, including the methodology adopted, the assumptions applied and the reasonable and supportable information used as required by HKFRS 9.

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 on loan to and interest receivables from Entity A recognised by Tin Fok Group for the year ended 31st July, 2023.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess amount of ECL allowance on loan to and interest receivables from Entity A should be recognised in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that (i) loan to and interest receivables from Entity A as at 31st July, 2023 and the loss of Tin Fok Group for the year ended 31st July, 2023 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023; and hence (ii) interest in an associate as at 31st July, 2023 and share of loss of an associate for the year ended 31st July, 2023 recorded in the consolidated financial statements of the Group for the year ended 31st July, 2023 are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements for the year ended 31st July, 2023 of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

# Independent Auditor's Report

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

*Basis for Qualified Opinion (Continued)*

*Interest in an associate (Continued)*

(1)(b) As set out in note 16(ii) to the consolidated financial statements, as at 31st July, 2022, with impairment indication identified by the management of Tin Fok and the management of the Group on the property, plant and equipment in respect of Tin Fok Group's hotel operations due to the deterioration of the operation results and uncertainties related to operation of Tin Fok Group, the management of the Group and the management of Tin Fok were 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 for the year ended 31st July, 2022. The management of Tin Fok and 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 Tin Fok and the management of the Group did not provide us with 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 for the year ended 31st July, 2022. This caused us to qualify our audit opinion on the consolidated financial statements of the Group for the year ended 31st July, 2022. As set out in note 16(ii) to the consolidated financial statements, the management of Tin Fok and the management of the Group considered there was no impairment indication of property, plant and equipment in respect of Tin Fok Group's hotel operations subsequent to the reopening of border by the Macao government in early January 2023. However, given the lack of sufficient appropriate audit evidence to support the reasonableness of the key assumptions used by the management of Tin Fok and the management of the Group in estimating the value in use of the property, plant and equipment in respect of Tin Fok Group's hotel operations and the lack of assessment of fair value less cost of disposal of the property, plant and equipment in respect of Tin Fok Group's hotel operations in their previous year's assessments of the impairment of the property, plant and equipment in respect of Tin Fok Group's hotel operations, as of the date of this report, we were unable to determine whether any impairment adjustments were necessary to the opening balance of the property, plant and equipment in respect of Tin Fok Group's hotel operations as at 1st August, 2022, which would consequentially impact whether any reversal of impairment on the property, plant and equipment should be recognised in the consolidated financial statements of the Tin Fok Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that (i) the loss of Tin Fok Group for the year ended 31st July, 2023 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023 and hence (ii) the share of loss of an associate for the year ended 31st July, 2023 recorded in the consolidated financial statements of the Group for the year ended 31st July, 2023 are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements for the year ended 31st July, 2023 of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

# Independent Auditor's Report

## 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 indication 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. In respect of the impairment assessment of interest in an associate, the management of the Group was required to assess the recoverable amount of the interest in Tin Fok, 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 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 with their assessment of the fair value less cost of disposal of the interest in Tin Fok. This caused us to qualify our audit opinion on the consolidated financial statements of the Group for the year ended 31st July, 2022. As set out in note 4(b) to the consolidated financial statements, the management of the Group considered there was no impairment indication of Group's interest in Tin Fok as at 31st July, 2023, as a result of significant improvement in the hotel operations of Tin Fok. However, given the lack of sufficient appropriate audit evidence to support the reasonableness of the key assumptions used by management in estimating the recoverable amount of the interest in Tin Fok and the lack of assessment of fair value less cost of disposal of the interest in Tin Fok in their previous year's assessments of the impairment of the Group's interest in Tin Fok, as of the date of this report, we were unable to determine whether any impairment adjustments were necessary to the opening balance of the interest in an associate as at 1st August, 2022, which would consequentially impact whether any reversal of impairment on interest in an associate should be recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that loss for the year ended 31st July, 2023 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 previous year's 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 are of the view that amount due from Tin Fok and dividend due from Tin Fok are still recoverable and hence no ECL allowance in respect of amount due from an associate and dividend receivable from an associate under HKFRS 9 is recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. However, due to the uncertainties related to the timing and amount of expected future cash inflow arising from settlement of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group which might in turn affect the financial ability of Tin Fok Group, the management was not able to provide us the ECL assessment on amount due from Tin Fok and the dividend receivable from Tin Fok, including the methodology adopted, the assumptions applied and the reasonable and supportable information used as required by HKFRS 9.

# Independent Auditor's Report

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

### Basis for Qualified Opinion *(Continued)*

#### *Amount due from an associate and dividend receivable from an associate (Continued)*

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess amount to ECL allowance on amount due from an associate and dividend receivable from an associate should be recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. 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 as at 31st July, 2023 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, 2023. Consequently, we were unable to determine whether any adjustments to share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate. Accordingly, we are unable to conclude whether or not the other information in the directors' report is materially misstated with respect to this matter.

# Independent Auditor's Report

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

# Independent Auditor's Report

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements *(Continued)*

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

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

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

# Independent Auditor's Report

## 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 share of loss of an associate, 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  
30th October, 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st July, 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue			
Contracts with customers	5	8,148	59,799
Interest under effective interest method	5	28,728	27,474
Cost of sales		(510)	(32,598)
Direct operating costs		(3,070)	(2,402)
Gross profit		33,296	52,273
Other gains and losses	6	(5,242)	(38,436)
Impairment losses under expected credit loss ("ECL") model, net		(13,794)	(15,183)
Other income		14,510	11,363
Marketing expenses		(5,637)	(5,470)
Administrative expenses		(45,283)	(42,056)
Other hotel operating expenses		(11,385)	(13,825)
Share of loss of an associate		(991)	(25,264)
Finance costs	7	(33)	(101)
Loss before taxation		(34,559)	(76,699)
Income tax credit (expense)	8	862	(27,617)
Loss for the year	9	(33,697)	(104,316)
<b>Other comprehensive expense:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(18,465)	(11,260)
Other comprehensive expense for the year		(18,465)	(11,260)
Total comprehensive expense for the year		(52,162)	(115,576)
Loss for the year attributable to:			
Owners of the Company		(29,967)	(98,255)
Non-controlling interests		(3,730)	(6,061)
		(33,697)	(104,316)
Total comprehensive expense attributable to:			
Owners of the Company		(43,835)	(106,700)
Non-controlling interests		(8,327)	(8,876)
		(52,162)	(115,576)
Loss per share	13		
Basic – HK cents		(15.4)	(50.6)

# Consolidated Statement of Financial Position

At 31st July, 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	<b>191,070</b>	214,949
Right-of-use assets	15	<b>25,924</b>	29,349
Interest in an associate	16	<b>144,875</b>	145,866
Deposit and prepayment for a life insurance policy	17	<b>11,560</b>	11,586
Receivables from customers of consumer finance service	21	<b>17,510</b>	15,501
		<b>390,939</b>	417,251
<b>Current assets</b>			
Properties held for sale	18	<b>39,242</b>	42,368
Inventories	19	<b>481</b>	700
Trade and other receivables	20	<b>33,531</b>	21,297
Receivables from customers of consumer finance service	21	<b>60,320</b>	51,674
Amount due from an associate	22	<b>7,524</b>	8,031
Prepaid income tax		<b>1,595</b>	50,151
Financial assets at fair value through profit or loss ("FVTPL")	23	<b>78,367</b>	52,631
Pledged bank deposit	24	<b>646</b>	644
Bank balances and cash	24	<b>191,297</b>	336,137
		<b>413,003</b>	563,633
<b>Current liabilities</b>			
Trade and other payables	25	<b>11,063</b>	11,866
Contract liabilities		<b>2,110</b>	2,249
Derivative financial instruments	26	–	1,041
Lease liabilities	27	–	307
Amounts due to related parties	22	<b>2,068</b>	2,068
Tax payable		<b>1,890</b>	121,924
		<b>17,131</b>	139,455
Net current assets		<b>395,872</b>	424,178
Total assets less current liabilities		<b>786,811</b>	841,429
<b>Non-current liability</b>			
Deferred tax liability	28	<b>20,901</b>	23,357
Net assets		<b>765,910</b>	818,072

# Consolidated Statement of Financial Position

At 31st July, 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Capital and reserves			
Share capital	29	<b>1,518,519</b>	1,518,519
Reserves		<b>(698,556)</b>	(654,721)
Equity attributable to owners of the Company		<b>819,963</b>	863,798
Non-controlling interests		<b>(54,053)</b>	(45,726)
Total equity		<b>765,910</b>	818,072

The consolidated financial statements on pages 57 to 126 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 30th October, 2023 and are signed on its behalf by:

**Tsui Wing Tak**  
*DIRECTOR*

**Chu Nin Yiu, Stephen**  
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the Year Ended 31st July, 2023

	Attributable to owners of the Company								Total	Non-controlling interests	Total
	Share capital	Capital reserve	Share option reserve	Capital reduction reserve	Translation reserve	Revaluation reserve	FVTOCI reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 40)	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st August, 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
Loss for the year	-	-	-	-	-	-	-	(29,967)	(29,967)	(3,730)	(33,697)
Other comprehensive expense for the year	-	-	-	-	(13,868)	-	-	-	(13,868)	(4,597)	(18,465)
Total comprehensive expense for the year	-	-	-	-	(13,868)	-	-	(29,967)	(43,835)	(8,327)	(52,162)
At 31st July, 2023	1,518,519	157	23,542	170,583	(13,806)	51,510	(73,778)	(856,764)	819,963	(54,053)	765,910

## 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, 2023

	2023 HK\$'000	2022 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	<b>(34,559)</b>	(76,699)
Adjustments for:		
Bank and other interest income	<b>(4,811)</b>	(877)
Interest expense	<b>33</b>	101
Depreciation of property, plant and equipment	<b>10,098</b>	12,569
Depreciation of right-of-use assets	<b>1,490</b>	4,025
Premium charges on a life insurance policy	<b>378</b>	371
Share of loss of an associate	<b>991</b>	25,264
Loss on disposal of property, plant and equipment	<b>1,125</b>	212
Decrease in fair value of financial assets at FVTPL	<b>8,847</b>	44,582
(Increase) decrease in fair value of derivative financial instruments	<b>(1,041)</b>	1,041
Impairment loss under ECL model, net	<b>13,794</b>	15,183
Operating cash flows before movements in working capital	<b>(3,655)</b>	25,772
Decrease in properties held for sale	<b>510</b>	33,336
(Increase) decrease in financial assets at FVTPL	<b>(34,583)</b>	168,015
Decrease in inventories	<b>176</b>	60
(Increase) decrease in trade and other receivables	<b>(12,664)</b>	4,085
Increase in receivables from customers of consumer finance service	<b>(24,449)</b>	(27,413)
Decrease in contract liabilities	<b>–</b>	(29,852)
Decrease in trade and other payables	<b>(295)</b>	(14,590)
Cash (used in) generated from operations	<b>(74,960)</b>	159,413
Income tax paid	<b>(67,199)</b>	(31,031)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(142,159)</b>	128,382
<b>INVESTING ACTIVITIES</b>		
Interest received	<b>4,457</b>	534
Advance to an associate	<b>–</b>	(435)
Purchase of property, plant and equipment	<b>(66)</b>	–
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>4,391</b>	99
<b>FINANCING ACTIVITIES</b>		
Repayment to related parties	<b>–</b>	(6,707)
Repayment of lease liabilities	<b>(307)</b>	(2,665)
Interest on overdraft in brokers' account paid	<b>(24)</b>	(58)
Interests on lease liabilities paid	<b>(9)</b>	(49)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(340)</b>	(9,479)

## Consolidated Statement of Cash Flows

For the Year Ended 31st July, 2023

	2023 HK\$'000	2022 HK\$'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(138,108)</b>	119,002
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<b>336,137</b>	221,755
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(6,732)</b>	(4,620)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<b>191,297</b>	336,137
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>191,297</b>	336,137
Cash flow from operating activities included:		
Interest received from financial assets at FVTPL	<b>4,025</b>	4,346
Dividend received from financial assets at FVTPL	<b>2,564</b>	7,187

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 1. GENERAL INFORMATION

Capital Estate Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is 13th Floor Bonham Majoris, 40 Bonham Strand, Sheung Wan, Hong Kong.

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, 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the amendments to HKFRSs in the current year has 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.

### 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 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>4</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>5</sup>

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

- <sup>1</sup> Effective for annual periods beginning on or after 1st January, 2023
- <sup>2</sup> Effective for annual periods beginning on or after 1st January, 2023 (except for HKAS 12 “Income Taxes” paragraphs 4A and 88A which are immediately effective upon issue of the amendments)
- <sup>3</sup> Effective for annual periods beginning on or after a date to be determined
- <sup>4</sup> Effective for annual periods beginning on or after 1st January, 2024
- <sup>5</sup> Effective for annual periods beginning on or after 1st January, 2025

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of the other 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.

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.1 Basis of preparation of consolidated financial statements

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

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 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.

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 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.

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.

When 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Property, plant and equipment (Continued)*

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.

#### *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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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)*

#### 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.

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 carrying amount of the relevant right-of-use assets 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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

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

The lease payments include:

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

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

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

#### Lease modifications

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

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 (Continued)*

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.

##### *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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group receives no less than 30% of the contract value as deposits from customers when they sign the sale and purchase agreements for the properties held for sale and the remaining contract value are received before the control of the properties being transferred to the customers. The deposits result in contract liabilities under current liabilities being recognised until the control of the properties being transferred to the customers.

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Revenue from contracts with customers (Continued)*

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

#### Output method

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

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

#### *Existence of significant financing component*

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

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

#### *Government grants*

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

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

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Borrowing costs*

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

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

#### *Cash and cash equivalents*

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### *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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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.

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *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.

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Taxation (Continued)*

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.

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 operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses 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 date 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Equity-settled share-based payment transactions (Continued)*

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

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

#### *Employee benefits*

##### *Retirement benefit costs*

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

##### *Short-term and other long-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.

Liabilities recognised in respect of other long-term employee benefits (e.g. long service payments ("LSP")) are measured at present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

For LSP obligations, the Group measures it on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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)*

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is not held for trading.

A financial asset is held for trading if:

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

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

#### (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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 are 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.

#### (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;

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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)*

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

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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)*

#### (ii) Definition of default

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

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

#### (iii) Credit-impaired financial assets

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

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

#### (iv) Write-off policy

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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

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 and forward looking information that is available without undue cost or effort.

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

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

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

Lifetime ECL for trade receivables 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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)*

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.

#### *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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

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

#### Financial guarantee contracts

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

- (i) the amount of loss allowance determined in accordance with HKFRS 9; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

#### Derecognition of financial liabilities

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

#### *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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 and its subsidiary (together, “Tin Fok Group”), are principally engaged in hotel operations and property investment in Macao Special Administrative Region of the People’s Republic of China (note 16). The ultimate controlling shareholders of Tin Fok are the spouse and daughters of a former director of the Company, Mr. Sio Tak Hong (“Mr. Sio”). The Group accounted for its interest in Tin Fok using equity method of accounting based on the unaudited consolidated financial statements of Tin Fok Group for the years ended 31st July, 2022 and 31st July, 2023 prepared in accordance with HKFRSs provided by management of Tin Fok. In preparing the 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:

ECL assessment on loan to a private company which is a related company of Mr. Sio

As at 31st July, 2022 and 1st August, 2022, Tin Fok Group carried loan to Mr. Sio with a carrying amount of HK\$967,600,000, which was unsecured, interest bearing and matured on 30th September, 2021 and interest receivables from Mr. Sio amounting to HK\$30,972,000, in which no ECL allowance was recognised. During the year ended 31st July, 2023, Tin Fok, Mr. Sio, certain private companies which are related companies of Mr. Sio and an individual entered into a Deed of Novation. Pursuant to the Deed of Novation, (i) the loan to Mr. Sio amounted to HK\$967,600,000; (ii) interest receivables from Mr. Sio amounted to HK\$30,972,000, and (iii) payables to a private company and the individual carried in the consolidated financial statements of Tin Fok Group with an aggregate amount of HK\$290,570,000 were novated to another private company which is a related company of Mr. Sio (“Entity A”). During the year ended 31st July, 2023, repayments from Entity A amounting to HK\$55,363,000 were received by Tin Fok. As at 31st July, 2023, Tin Fok Group carried the loan to Entity A and the related interest receivables amounted to HK\$629,862,000 and HK\$59,626,000 respectively. The loan to Entity A carried in the consolidated financial statements of Tin Fok Group is unsecured and interest bearing, and the repayment date of the loan was extended to 30th September, 2023 pursuant to the Supplemental Deed to the Deed of Novation entered into among Tin Fok, Mr. Sio, certain private companies that are related companies of Mr. Sio and an individual during the year ended 31st July, 2023. For the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2023, the management of Tin Fok and the management of the Group assessed the ECL of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group. Considered the net asset position of Entity A, the management of Tin Fok and the management of the Group believed the credit risk related to the loan to and interest receivables from Entity A was not significantly increased and the amounts are still recoverable and therefore no ECL was recognised in Tin Fok’s consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2023 (2022: no ECL recognised relating to loan to Mr. Sio).

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 Group has recognised a share of loss of an associate amounting to HK\$991,000 (2022: HK\$25,264,000) on the consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2023 and carried an interest in an associate amounting to HK\$144,875,000 (2022: HK\$145,866,000) on the consolidated statement of financial position as at 31st July, 2023.

As at 31st July, 2022, the management of the Group considered there was impairment indication 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. 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 fair value less cost of disposal and value in use. 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 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, discount rate of 7.5%. No impairment loss on the interest in an associate was recognised for the year ended 31st July 2022.

In addition, no indication of impairment on the interest in an associate was identified by the management of the Group as at 31st July, 2023, as a result of significant improvement in the 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 Tin Fok Group's consolidated financial position and historical repayment records and is of the view that these amounts are still recoverable.

As at 31st July, 2023, the gross carrying amounts of the Group's interest in an associate, amount due from an associate and the dividend receivables due from an associate was HK\$144,875,000 (2022: HK\$145,866,000), HK\$7,524,000 (2022: HK\$8,031,000) and HK\$12,621,000 (2022: HK\$12,621,000), respectively. Based on management's assessment, no impairment loss on the interest in an associate, and no ECL impairment on amount due from an associate and dividend receivable from an associate was recognised for both current and prior years.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

### (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 respectively.

### (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 costs less accumulated depreciation and impairment, if any. Management assesses impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. Determining whether the property, plant and equipment and right-of-use assets relevant to hotel operations is impaired requires an estimation of the recoverable amount, which is the higher of the value in use or fair value less costs of disposal. The Group engages independent property valuer to estimate the fair value less cost of disposal of the property, plant and equipment and leasehold lands relevant to hotel operations. Impairment loss will be recognised when the recoverable amounts are lower than the carrying amounts. As at 31st July, 2023, the carrying amounts of property, plant and equipment and right-of-use assets relevant to hotel operations are HK\$190,898,000 (2022: HK\$214,808,000) and HK\$25,924,000 (2022: HK\$29,120,000) respectively without impairment recognised.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	2023 HK\$'000	2022 HK\$'000
<b>Type of goods or services</b>		
Revenue from hotel operations		
– Room rentals	6,750	3,952
– Food and beverage sales	236	94
– Rendering of ancillary services	51	98
Revenue from sale of properties held for sale	1,111	55,655
	<b>8,148</b>	59,799
<b>Geographic markets</b>		
Mainland China	8,148	59,799
<b>Revenue from contracts with customers</b>		
A point in time	1,398	55,847
Overtime	6,750	3,952
	<b>8,148</b>	59,799

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 (2023: nil) was included in the contract liabilities at the beginning of the year. As at 1st August, 2021, contract liabilities amounted to HK\$33,225,000.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Interest under effective interest method

	2023 HK\$'000	2022 HK\$'000
Interest income from receivables from customers of consumer finance service	<b>28,728</b>	27,474

### 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, 2023

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consumer finance HK\$'000	Consolidated HK\$'000
GROSS PROCEEDS	7,037	155,335	1,111	28,728	192,211
SEGMENT REVENUE	7,037	–	1,111	28,728	36,876
SEGMENT (LOSS) PROFIT	(15,767)	165	(11)	(1,986)	(17,599)
Unallocated income					2,131
Unallocated expenses					(18,067)
Finance costs					(33)
Share of loss of an associate					(991)
Loss before taxation					<b>(34,559)</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Segment revenue and results *(Continued)*

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)

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, central administration costs, directors' salaries, finance costs and share of loss of an associate. 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, 2023

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consumer finance HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	241,844	78,367	53,009	104,245	–	477,465
Interest in an associate					144,875	144,875
Unallocated assets					181,602	181,602
Consolidated total assets						803,942
LIABILITIES						
Segment liabilities	27,378	184	3,787	335	–	31,684
Unallocated liabilities					6,348	6,348
Consolidated total liabilities						38,032

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

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
<b>ASSETS</b>						
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
<b>LIABILITIES</b>						
Segment liabilities	31,693	1,184	124,073	149	–	157,099
Unallocated liabilities					5,713	5,713
Consolidated total liabilities						162,812

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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, 2023

	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)	-	-	-	66	66	138	204
Depreciation of property, plant and equipment	9,986	-	-	5	9,991	107	10,098
Depreciation of right-of-use assets	1,399	-	-	-	1,399	91	1,490
Decrease in fair value of financial assets at FVTPL	-	8,847	-	-	8,847	-	8,847
Increase in fair value of derivative financial instruments	-	1,041	-	-	1,041	-	1,041
Loss on disposal of property, plant and equipment	1,125	-	-	-	1,125	-	1,125
Interest income from financial assets at FVTPL	-	4,025	-	-	4,025	-	4,025
Bank and other interest income	131	2,078	-	470	2,679	2,132	4,811

#### 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

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 and the hotel operations are located and carried out in Mainland China. Financial investment and consumer finance divisions are located and carried out in Hong Kong.

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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>28,728</b>	27,474	<b>112</b>	310
Macau	–	–	<b>144,875</b>	145,866
Mainland China	<b>8,148</b>	59,799	<b>216,882</b>	243,988
	<b>36,876</b>	87,273	<b>361,869</b>	390,164

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

None of the customers of the Group individually contributed more than 10% of the total revenue for both years.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 6. OTHER GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Dividend income from financial assets at FVTPL	2,564	7,187
Decrease in fair value of financial assets at FVTPL	(8,847)	(44,582)
Increase (decrease) in fair value of derivative financial instruments	1,041	(1,041)
	<b>(5,242)</b>	<b>(38,436)</b>

## 7. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interests on lease liabilities	9	43
Interests on overdraft in brokers' account	24	58
	<b>33</b>	<b>101</b>

## 8. INCOME TAX (CREDIT) EXPENSE

	2023 HK\$'000	2022 HK\$'000
Tax (credit) expense comprises:		
PRC land appreciation tax		
Current tax	152	30,642
Deferred taxation (note 28)	(1,014)	(3,025)
	<b>(862)</b>	<b>27,617</b>

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

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

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 8. INCOME TAX (CREDIT) EXPENSE *(Continued)*

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 profits for the years.

Income tax (credit) 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:

	2023 HK\$'000	2022 HK\$'000
Loss before taxation	<b>(34,559)</b>	(76,699)
Tax credit at applicable Hong Kong Profits Tax rate	<b>(5,702)</b>	(12,655)
PRC land appreciation tax	<b>152</b>	30,642
Tax effect of PRC land appreciation tax	<b>(38)</b>	(7,661)
Tax effect of share of results of an associate	<b>164</b>	4,169
Tax effect of expenses not deductible for tax purpose	<b>4,773</b>	5,714
Tax effect of deductible temporary differences not recognised	<b>1,470</b>	1,723
Utilisation of deductible temporary difference previously not recognised	<b>(890)</b>	(7,960)
Tax effect of income not taxable for tax purpose	<b>(3,088)</b>	(2,899)
Tax effect of tax losses not recognised	<b>3,723</b>	16,244
Effect of a different tax rate of subsidiaries operating in another jurisdiction	<b>(1,426)</b>	300
Income tax (credit) expense for the year	<b>(862)</b>	27,617

Details of deferred taxation are set out in note 28.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 9. LOSS FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	3,580	4,610
Other staff costs		
– Salaries and other benefits	15,502	14,764
– Retirement benefit scheme contributions	754	767
Total employee benefit expenses	19,836	20,141
Auditor's remuneration		
– Current year	2,950	2,160
– Underprovision in prior year	960	-
	3,910	2,160
Cost of inventories recognised as an expense	471	113
Cost of properties sold recognised as an expense	510	32,598
Depreciation of property, plant and equipment included in:		
– other hotel operating expenses	9,986	12,334
– administrative expenses	112	235
Depreciation of right-of-use assets	1,490	4,025
Net foreign exchange loss	391	30
Loss on disposal of property, plant and equipment	1,125	212
Included in other income:		
Bank and other interest income	(4,811)	(877)
Interest income from financial assets at FVTPL	(4,025)	(4,346)
Rental income	(3,147)	(3,781)
Less: Direct operating expense	198	265
	(2,949)	(3,516)

Note: During the current year, the Group received government grants as compensation of employee benefits expenses amounting to HK\$215,000 (2022: HK\$489,000) which have been offset against related expenses.

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2022: eleven) directors, including the Chief Executive of the Company, are as follows:

### 2023

	Executive directors		Non-executive director	Independent non-executive directors			Total HK\$'000
	Mr. Tsui Wing Tak HK\$'000	Mr. Chu Nin Yiu, Stephen HK\$'000	Mr. Lam Yiu Cho HK\$'000	Mr. Yeung Chi Wai HK\$'000	Mr. Wong Kwong Fat HK\$'000	Mr. Chan Shu Yan, Stephen HK\$'000	
	Fees	240	-	120	200	200	
Other emoluments							
– Salaries and other benefits	-	2,620	-	-	-	-	2,620
– Retirement benefit scheme contributions	-	-	-	-	-	-	-
	240	2,620	120	200	200	200	3,580

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

2022

	Executive directors			Non-executive director	Independent non-executive directors			Total			
	Mr. Tsui Wing Tak	Mr. Chu Nin Yiu	Mr. Sio Tak Hong		Mr. Lam Yiu Cho	Mr. Yeung Chi Wai	Mr. Wong Kwong Fat		Mr. Chan Shu Yan	Mr. Li Sze Kuen	Mr. Leung Kam Fai
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 1)		(note 2)	(note 3)	(note 4)	(note 5)	(note 6)	(note 7)	(note 8)	(note 9)	
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

Notes:

- Mr. Tsui Wing Tak was appointed as an executive director and Chairman of the Company on 15th February, 2022.
- Mr. Sio Tak Hong resigned as an executive director and 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.
- Mr. Chu Nin Wai, David resigned as an executive director of the Company on 15th February, 2022.
- Mr. Lau Chi Kan, Michael resigned as an executive director of the Company on 15th February, 2022.
- Mr. Lam Yiu Cho was appointed as a non-executive director of the Company on 15th February, 2022.
- Mr. Yeung Chi Wai was appointed as an independent non-executive director of the Company on 1st April, 2022.
- Mr. Chan Shu Yan, Stephen was appointed as an independent non-executive director of the Company on 15th June, 2022.
- Mr. Li Sze Kuen, Billy resigned as an independent non-executive director of the Company on 1st April, 2022.
- 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, 2023 and 2022, no directors waived any emoluments.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 11. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, one was director (2022: two directors) of the Company whose emoluments were included in note 10 above. The emoluments of the remaining four (2022: three) employees for the year ended 31st July, 2023 were as follows. The emoluments received by one of the directors during the year ended 31st July, 2022 mentioned above in note 10 after his resignation as a director of the Company were included below.

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	3,132	3,004
Performance related bonuses	91	–
Retirement benefit scheme contributions	73	64
	<b>3,296</b>	3,068

Their emoluments were within the following bands:

	2023 No. of employees	2022 No. of employees
Nil to HK\$1,000,000	4	3

During the years ended 31st July, 2023 and 2022, 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, 2023 and 2022, 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:

	2023 HK\$'000	2022 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of basic earnings per share	(29,967)	(98,255)

	2023	2022
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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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
<b>COST</b>						
At 1st August, 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
Addition	–	–	–	66	138	204
Disposals/write-off	(17)	–	(345)	(8,733)	–	(9,095)
Currency realignment	(20,399)	(182)	(6,396)	(2,050)	(73)	(29,100)
At 31st July, 2023	320,947	2,766	96,862	22,621	2,819	446,015
<b>DEPRECIATION</b>						
At 1st August, 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
Provided for the year	9,563	95	–	277	163	10,098
Eliminated on disposals/write-off	(11)	–	(345)	(7,614)	–	(7,970)
Currency realignment	(7,778)	(84)	(6,396)	(1,914)	(68)	(16,240)
At 31st July, 2023	132,252	1,368	96,862	21,755	2,708	254,945
<b>CARRYING VALUES</b>						
At 31st July, 2023	188,695	1,398	–	866	111	191,070
At 31st July, 2022	210,885	1,591	–	2,332	141	214,949

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 $\frac{1}{2}$ years, representing the remaining lease term from acquisition date
Buildings	Over 9 $\frac{1}{4}$ 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 $\frac{1}{3}$ % whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	25%-33 $\frac{1}{3}$ %

The Group leases out certain part of the hotel properties under operating leases. The leases typically run for an initial period of 1 to 5 years (2022: 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, 2023	25,924	–	–	25,924
As at 31st July, 2022	29,120	229	–	29,349
Depreciation charge				
For the year ended 31st July, 2023	1,399	91	–	1,490
For the year ended 31st July, 2022	1,491	137	2,397	4,025

	Year ended 31st July, 2023 HK\$'000	Year ended 31st July, 2022 HK\$'000
Expense relating to short-term leases	1,687	1,432
Total cash outflow for leases	2,003	4,146

For both years, the Group leases office for its operations. The leased office contract is entered into for a fixed term of one year (2022: one year to two years). Besides, the Group entered a three-year hire purchase agreement for a motor vehicle during the year ended 31st July, 2020. During the year ended 31st July, 2023, the Group obtained ownership of the motor vehicle with carrying amount of HK\$138,000 at the end of the lease terms, which were transferred to property, plant and equipment.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

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

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 both years, the Group entered into short-term lease for office and staff quarters.

The Group regularly entered into short-term leases for office and staff quarters. As at 31st July 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

## 16. INTEREST IN AN ASSOCIATE

	2023 HK\$'000	2022 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	(84,580)	(83,589)
	<b>144,875</b>	145,866

At 31st July, 2023 and 2022, 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		Principal activities
		2023	2022	
Tin Fok (note)	Macau	<b>32.5%</b>	32.5%	Hotel operations and property investment

Note: The ultimate controlling shareholders of Tin Fok are the spouse and daughters of a former director of the Company, Mr. Siu.

Included in the cost of investment in an associate is goodwill of HK\$2,362,000 (2022: HK\$2,362,000) arising on acquisition of Tin Fok.

The management of the Group considered that as at 31st July, 2022, there was an indication of impairment of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group. The revenue of Tin Fok dropped significantly during the year ended 31st July, 2022, which resulted in a loss of HK\$77,733,000. 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 "Impairment of Assets". 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%. Based on management's assessment, no impairment loss on the interest in an associate was recognised for the year ended 31st July, 2022. During the year ended 31st July 2023, there was significant improvement in the hotel operation business. The management of the Group considers that as at 31st July, 2023, there was no indication of impairment of the Group's interest in Tin Fok.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 16. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2023 HK\$'000	2022 HK\$'000
Current assets (note (i))	<b>707,723</b>	1,023,916
Non-current assets (note (ii))	<b>895,999</b>	929,119
Current liabilities	<b>(406,714)</b>	(364,474)
Non-current liabilities	<b>(803,717)</b>	(1,189,902)
Non-controlling interests	<b>45,212</b>	42,893
<b>Net assets attributable to owners of Tin Fok</b>	<b>438,503</b>	441,552
<b>Revenue</b>	<b>134,303</b>	89,544
<b>Loss and total comprehensive expense for the year</b>	<b>(3,050)</b>	(77,733)
<b>Group's share of loss of an associate</b>	<b>(991)</b>	(25,264)

Note:

- (i) The amount mainly presented loan to a private company which is a related company of Mr. Sio (2022: loan to Mr. Sio) and the related interest receivables with carrying amounts of HK\$629,862,000 (2022: HK\$967,600,000) and HK\$59,626,000 (2022: HK\$30,972,000) respectively, for which no ECL was recognised. The loan is unsecured, interest bearing and matured on 30th September, 2023. The loan has not been settled up to date of consolidated financial statements.
- (ii) As at 31st July, 2022, included in the non-current assets of Tin Fok Group is property, plant and equipment in respect of hotel operations amounted to approximately HK\$634,017,000. There was impairment indication identified by the management of Tin Fok and the management of the Group on 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 Tin Fok and the management of the Group, for the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2022, 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 Tin Fok and the management of the Group estimated 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%. No impairment loss was recognised in Tin Fok's consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2022. As at 31st July, 2023, the management of Tin Fok and the management of the Group considered there was no impairment indication of property, plant and equipment in respect of hotel operations of Tin Fok as a result of significant improvement in the hotel operations of Tin Fok subsequent to the reopening of border by the Macao government in early January 2023.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 16. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2023 HK\$'000	2022 HK\$'000
Net assets attributable to owners of Tin Fok	438,503	441,552
Proportion of the Group's ownership interest in Tin Fok	32.5%	32.5%
	<b>142,513</b>	143,504
Goodwill	2,362	2,362
	<b>144,875</b>	145,866

## 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 18. PROPERTIES HELD FOR SALE

The properties held for sale are in Mainland China.

	2023 HK\$'000	2022 HK\$'000
Properties for sale	39,242	42,368
Analysis of leasehold lands: Carrying amount	9,190	9,922

During the year ended 31st July, 2022, the Group transferred certain car park spaces included in properties held for sale to property, plant and equipment amounting to HK\$509,000.

## 19. INVENTORIES

The inventories at 31st July, 2023 and 2022 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:

	2023 HK\$'000	2022 HK\$'000
Trade receivables:		
0 to 30 days	274	221
31 to 60 days	190	33
61 to 90 days	5	2
91 days or above	333	337
	802	593
Prepayments and deposits	11,364	2,894
Other receivables (note)	21,365	17,810
	33,531	21,297

Note: Included in other receivables are dividend receivable from an associate of HK\$12,621,000 (2022: HK\$12,621,000).

As at 1st August, 2021, trade receivables with customers amounted to HK\$488,000.

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, 2023 are set out in note 38.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 (2022: HK\$2,000 to HK\$120,000). The receivables are unsecured and carry interest at fixed rate ranged from 26% to 48% (2022: 26% to 48%) 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, 2023, impairment losses under ECL model amounting to HK\$13,783,000 (2022: HK\$12,634,000) was recognised. At the end of reporting period, aggregate net balances with customers of consumer finance service with payment past due are HK\$1,643,000 (2022: HK\$1,153,000). 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:

	2023 HK\$'000	2022 HK\$'000
Within one month	4,531	4,164
Six months or less but over one month	28,046	22,910
One year or less but over six months	27,743	24,600
Over one year	17,510	15,501
	<b>77,830</b>	67,175
Analysed as:		
Current portion	60,320	51,674
Non-current portion	17,510	15,501
	<b>77,830</b>	67,175

## 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, 2023 are set out in note 38.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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	2023 HK\$'000	2022 HK\$'000
Gao Wang Investments Limited ("Gao Wang")	(i)	1,034	1,034
Gold Champion Investments Limited ("Gold Champion")	(ii)	1,034	1,034
		<b>2,068</b>	2,068

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).

## 23. FINANCIAL ASSETS AT FVTPL

	2023 HK\$'000	2022 HK\$'000
Listed debt securities in Hong Kong	28,341	–
Listed debt securities overseas	50,026	–
Listed equity securities in Hong Kong	–	52,631
	<b>78,367</b>	52,631

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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% (2022: 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 5.25% (2022: nil to 1.55%) 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:

	2023 HK\$'000	2022 HK\$'000
Trade payables:		
0 to 30 days	62	24
31 to 60 days	52	27
61 to 90 days	28	–
91 days or above	54	18
	196	69
Accruals	3,527	3,167
Other payables	7,340	8,630
	11,063	11,866

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 26. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2023 HK\$'000	2022 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

	2023 HK\$'000	2022 HK\$'000
Within one year, amount due for settlement within 12 months shown under current liabilities	–	307

The weighted average incremental borrowing rates applied to lease liabilities as at 31st July, 2022 was 4.54%.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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, 2021	27,305
Currency realignment	(923)
Credit to profit or loss	(3,025)
At 31st July, 2022	23,357
Currency realignment	(1,442)
Credit to profit or loss	(1,014)
At 31st July, 2023	20,901

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, 2023, the Group has unused tax losses of HK\$435,473,000 (2022: HK\$412,909,000) available to offset against future profits, which may be carried forward indefinitely. The Group also has deductible temporary differences of HK\$16,381,000 (2022: HK\$12,866,000). 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, 2021, 31st July, 2022 and 31st July, 2023	194,337,559	1,518,519

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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 was expired 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 and before expiry of the scheme.

## 31. PLEDGE OF ASSETS

Bank deposit of HK\$646,000 (2022: HK\$644,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2022: HK\$600,000) granted to the Group. No credit facilities were utilised by the Group as at 31st July, 2023 and 2022.

## 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.

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 32. RETIREMENT BENEFIT SCHEMES (Continued)

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, 2023, contributions of the Group under the MPF Scheme and the PRC state-managed retirement benefit schemes amounted to HK\$754,000 (2022: HK\$786,000).

### Defined benefit plan

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

- Last monthly wages (before termination of employment)  $\times$  2/3  $\times$  Years of service.
- Last monthly wages are capped at HK\$22,500 while the amount of long service payment shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

## 33. OPERATING LEASES

### The Group as lessor

Certain of the Group's properties are rented to third parties for periods up to 5 years (2022: 5 years) at fixed predetermined amounts.

Lease payments receivables on leases are as followed:

	2023 HK\$'000	2022 HK\$'000
Within one year	2,515	4,383
In the second year	–	1,066
	<b>2,515</b>	5,449

## 34. FINANCIAL GUARANTEES

At 31st July, 2023, the Group provided guarantees of HK\$15,053,000 (2022: HK\$16,043,000) 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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, 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
Interest expenses	24	9	–
Financing cash flows	(24)	(316)	–
Balance at 31st July, 2023	–	–	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	2023 HK\$'000	2022 HK\$'000
Related company (Note)	Expense related to short-term leases	1,356	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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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:

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	3,580	4,591
Post-employment benefits	–	19
	<b>3,580</b>	4,610

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 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

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
FVTPL	78,367	52,631
Amortised cost	299,910	431,699
<b>Financial liabilities</b>		
Derivative financial instruments	–	1,041
Amortised cost	9,604	10,767

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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:

	2023 HK\$'000	2022 HK\$'000
USD	116,881	53,665

#### *Sensitivity analysis*

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

##### *(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate listed debt securities (2022: 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 and pledged bank deposits 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 38. FINANCIAL INSTRUMENTS *(Continued)*

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

#### *Market risk (Continued)*

##### *(iii) Other price risk*

The Group is exposed to price risk arising from financial assets at FVTPL (2022: financial assets at FVTPL and derivative financial instruments). Management manages this exposure by maintaining a portfolio of investments with different risks.

The Group's price risk is mainly concentrated on listed debt securities (2022: listed equity securities) quoted on the Stock Exchange and Singapore Exchange Limited.

#### *Sensitivity analysis*

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

If prices of the respective financial assets at FVTPL with gross carrying amount of HK\$78,367,000 (2022: HK\$52,631,000) had been 10% higher/lower, the Group's loss after taxation would decrease/increase by HK\$7,837,000 (2022: HK\$5,263,000) as a result of the changes in fair value of listed debt securities (2022: listed equity securities) at FVTPL.

If prices of the respective derivative financial instruments with gross carrying amount of HK\$1,041,000 had been 10% higher/lower, the Group's loss after taxation would increase/decrease by HK\$788,000 and HK\$1,288,000, respectively for the year ended 31st July, 2022 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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\$802,000 (2022: HK\$593,000), 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, 2023 and 31st July, 2022, 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, 2023 and 2022, the Group assessed the ECL for amount due from an associate and dividend receivable from an associate with gross carrying amount of HK\$7,524,000 (2022: HK\$8,031,000) and HK\$12,621,000 (2022: HK\$12,621,000), respectively and considered it to be insignificant and thus no loss allowance was recognised.

##### *Other receivables*

For other receivables with gross carrying amount of HK\$8,744,000 (2022: HK\$5,189,000), 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, 2023 and 2022.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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\$87,402,000 (2022: HK\$76,626,000) 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\$4,211,000 (2022: HK\$3,183,000) was assessed individually. Impairment allowance of HK\$4,211,000 (2022: HK\$3,183,000) 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, 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
Net impairment loss recognised	13,794	–	13,794
Transfer to credit-impaired	(13,673)	13,673	–
Write-off	–	(12,645)	(12,645)
As at 31st July, 2023	9,572	4,211	13,783

Changes in the loss allowance for receivables from customers of consumer finance service are mainly due to the increase in gross carrying amount during the year.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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\$646,000 (2022: HK\$644,000) and bank balances with gross carrying amount of HK\$191,297,000 (2022: HK\$336,137,000) 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\$15,053,000 as at 31st July, 2023 (2022: HK\$16,043,000). 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 (2022: 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 contractual net inflows and outflows on those derivatives that require net settlement. The liquidity analysis for the Group's derivative financial instruments is 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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	Total undiscounted cash flows HK\$'000	Carrying amount at 31.7.2023 HK\$'000
<b>2023</b>					
Trade and other payables	-	7,536	-	7,536	7,536
Amounts due to related parties	-	2,068	-	2,068	2,068
		<b>9,604</b>	<b>-</b>	<b>9,604</b>	<b>9,604</b>
Financial guarantees	-	15,053	-	15,053	-
<b>2022</b>					
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
		<b>10,775</b>	<b>308</b>	<b>11,083</b>	<b>11,074</b>
Financial guarantees	-	16,043	-	16,043	-
<b>Derivatives – net settlement</b>					
Accumulator contracts – outflow		(6,572)	(9,200)	(15,772)	(908)
Decumulator contracts – inflow		1,766	12,539	14,305	(133)
		<b>(4,806)</b>	<b>3,339</b>	<b>(1,467)</b>	<b>(1,041)</b>

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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,		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs and sensitivity analysis
	2023	2022			
	HK\$'000	HK\$'000			
Listed debt securities at FVTPL	<b>78,367</b>	–	Level 1	Quoted bid prices in active market	N/A
Listed equity securities at FVTPL	–	52,631	Level 1	Quoted bid prices in active market	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

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st July, 2023 and 2022 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		
			2023 %	2022 %	2023 %	2022 %	
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 wholly foreign-owned enterprise with limited liability 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 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	
		2023	2022
Investment holding	BVI	5	5
	Hong Kong	1	1
Inactive	BVI	2	2
	Hong Kong	5	5
	Mainland China	1	–
		<b>14</b>	<b>13</b>

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 allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	2023	2022	2023	2022
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hotel Fortuna Group (note)	Hong Kong	25%	25%	(3,729)	(6,060)	(53,033)	(44,708)
Individually immaterial subsidiaries with non-controlling interests						(1,020)	(1,018)
						<b>(54,053)</b>	<b>(45,726)</b>

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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

### Hotel Fortuna Group

	2023 HK\$'000	2022 HK\$'000
Current assets	85,556	216,164
Non-current assets	216,822	243,988
Current liabilities	(493,612)	(615,626)
Non-current liabilities	(20,901)	(23,357)
Equity attributable to owners of the Company	(159,102)	(134,123)
Non-controlling interests	(53,033)	(44,708)
	<b>For the year ended 31st July,</b>	
	2023 HK\$'000	2022 HK\$'000
Revenue	8,148	59,799
Loss attributable to owners of the Company	(11,187)	(18,179)
Loss attributable to non-controlling interests	(3,729)	(6,060)
Loss for the year	(14,916)	(24,239)
Other comprehensive expense attributable to owners of the Company	(13,792)	(8,445)
Other comprehensive expense attributable to non-controlling interests	(4,597)	(2,815)
Other comprehensive expense for the year	(18,389)	(11,260)
Total comprehensive expenses attributable to owners of the Company	(24,979)	(26,624)
Total comprehensive expense attributable to non-controlling interests	(8,326)	(8,876)
Total comprehensive expense for the year	(33,305)	(35,500)
Net cash outflow used in operating activities	(84,945)	(17,554)
Net cash inflow from (outflow used in) investing activities	131	(41)
Net cash inflow from (outflow used in) financing activities	130	(6,707)
Net cash outflow	(84,684)	(24,302)

# Notes to the Consolidated Financial Statements

For the Year Ended 31st July, 2023

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
Non-current assets		
Investments in subsidiaries	10	10
Amounts due from subsidiaries	631,684	787,583
	<b>631,694</b>	787,593
Current assets		
Deposit	132	7
Bank balances	139,471	33,497
	<b>139,603</b>	33,504
Current liabilities		
Other payables	2,914	1,925
Amounts due to subsidiaries	15,415	15,510
	<b>18,329</b>	17,435
Net current assets	<b>121,274</b>	16,069
Net assets	<b>752,968</b>	803,662
Capital and reserves		
Share capital	1,518,519	1,518,519
Reserves (note)	(765,551)	(714,857)
Total equity	<b>752,968</b>	803,662

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, 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)
Loss and total comprehensive expense for the year	–	–	–	(50,694)	(50,694)
At 31st July, 2023	2,127	23,542	170,583	(961,803)	(765,551)

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.

# Financial Summary

## RESULTS

	2023 HK\$'000	Year ended 31st July,			
		2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2020 HK\$'000 (restated)	2019 HK\$'000 (restated)
Revenue	<b>36,876</b>	87,273	132,063	102,875	432,946
Loss on financial investments	<b>(5,242)</b>	(38,436)	(26,384)	(5,321)	(10,975)
	<b>31,634</b>	48,837	105,679	97,554	421,971
(Loss) profit before taxation	<b>(34,559)</b>	(76,699)	(17,126)	(29,745)	216,553
Income tax credit (expense)	<b>862</b>	(27,617)	(12,328)	(2,459)	(55,149)
(Loss) profit for the year	<b>(33,697)</b>	(104,316)	(29,454)	(32,204)	161,404
Attributable to:					
Owners of the Company	<b>(29,967)</b>	(98,255)	(34,068)	(29,497)	149,957
Non-controlling interests	<b>(3,730)</b>	(6,061)	4,614	(2,707)	11,447
	<b>(33,697)</b>	(104,316)	(29,454)	(32,204)	161,404

## ASSETS AND LIABILITIES

	2023 HK\$'000	At 31st July,			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total assets	<b>803,942</b>	980,884	1,127,492	1,196,380	1,325,598
Total liabilities	<b>(38,032)</b>	(162,812)	(193,844)	(260,922)	(344,624)
	<b>765,910</b>	818,072	933,648	935,458	980,974
Equity attributable to owners of the Company	<b>819,963</b>	863,798	970,498	983,833	1,023,538
Non-controlling interests	<b>(54,053)</b>	(45,726)	(36,850)	(48,375)	(42,564)
	<b>765,910</b>	818,072	933,648	935,458	980,974

## Major Properties

Particulars of major properties held by the Group at 31st July, 2023 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%