



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193



2024
ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Sio Lai Na (*Chairman*) (appointed on 13 December 2023)

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

Tsui Wing Tak (resigned on 13 December 2023)

Non-Executive Director

Sio Lai Nga (appointed on 13 December 2023)

Lam Yiu Cho (resigned on 13 December 2023)

Independent Non-Executive Directors

Hung Ka Hai, Clement (appointed on 12 April 2024)

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

Hung Ka Hai, Clement (*Chairman*) (appointed on 12 April 2024)

Yeung Chi Wai

Wong Kwong Fat

Chan Shu Yan, Stephen

REMUNERATION COMMITTEE

Chan Shu Yan, Stephen (*Chairman*)

Hung Ka Hai, Clement (appointed on 12 April 2024)

Wong Kwong Fat

Yeung Chi Wai

Chu Nin Yiu, Stephen

NOMINATION COMMITTEE

Wong Kwong Fat (*Chairman*)

Hung Ka Hai, Clement (appointed on 12 April 2024)

Yeung Chi Wai

Chan Shu Yan, Stephen

Sio Lai Na (appointed on 13 December 2023)

Chu Nin Yiu, Stephen

LEGAL ADVISER

Reed Smith Richards Butler

AUDITOR

Baker Tilly Hong Kong Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

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 31 July 2024.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$122.7 million for the year ended 31 July 2024 (2023: HK\$192.2 million), which comprised gross proceeds from sales of properties of HK\$15.2 million (2023: HK\$1.1 million), consumer finance service of HK\$27.3 million (2023: HK\$28.7 million), hotel operations of HK\$13.9 million (2023: HK\$7.0 million) and sales of securities and other business segments totaling HK\$66.3 million (2023: HK\$155.3 million).

Profit for the year attributable to owners of the Company for the year ended 31 July 2024 was HK\$5.6 million (2023: loss of HK\$30.0 million).

The turnaround from loss to profit in the year ended 31 July 2024 was mainly attributable to the increase in revenue from the Group's hotel operations and sales of properties and share of profit of an associate of HK\$20.3 million in compare to the share of loss of HK\$1.0 million for the year ended 31 July 2023.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31 July 2024.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31 July 2024, the Group had bank balances and cash of HK\$175.7 million (2023: HK\$191.9 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$99.8 million (2023: HK\$78.4 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31 July 2024 (2023: Nil).

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 4.9% at 31 July 2024 (2023: 4.6%).

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 31 July 2024, 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\$15.2 million (2023: HK\$1.1 million) has been recognised for the year ended 31 July 2024. The unsold saleable floor area of approximately 5.4% of this high-rise residential development, which mainly attributable to approximately 150 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\$27.3 million (2023: HK\$28.7 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 31 July 2024, the consumer finance business has approximately 3,000 users (2023: approximately 3,500 users) and maintained a net loan portfolio of HK\$65.1 million as at 31 July 2024 (2023: HK\$77.8 million) with loans to individual users ranging from HK\$2,000 to HK\$300,000 (2023: HK\$2,000 to HK\$120,000) with credit period up to 40 months (2023: 36 months). The receivables are unsecured and carry interest at fixed rate ranged from 4% to 45% (2023: 26% to 48%) which is determined based on factors including loan term, principal amount and credit history of individual customer. Loan granted to approximately 73% (2023: 74%) of the customers are with principal amount of HK\$40,000 or below and approximately 74% (2023: 82%) 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	
	2024	2023
Principal amount:		
Below HK\$20,000	33.2%	35.2%
Below HK\$40,000 but over HK\$20,000	39.7%	38.7%
Below HK\$80,000 but over HK\$40,000	26.0%	24.9%
Below HK\$300,000 but over HK\$80,000	1.1%	1.2%
	100.0%	100.0%
Credit period:		
6 months or less	8.9%	5.9%
12 months or less but over 6 months	26.0%	40.2%
18 months or less but over 12 months	39.1%	35.6%
24 months or less but over 18 months	16.5%	11.1%
40 months or less but over 24 months	9.5%	7.2%
	100.0%	100.0%
Interest rate:		
Below 35%	0.8%	4.4%
Below 40% but over 35%	40.4%	55.2%
Below 45% but over 40%	58.8%	39.0%
Below 50% but over 45%	0.0%	1.4%
	100.0%	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 31 July 2024 and 31 July 2023.

(III) Basis of loan impairments assessment and analysis

Impairment losses under expected credit loss model on receivables amounting to HK\$9.4 million (2023: HK\$13.8 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 31 July 2024, the hotel achieved a growth in occupancy rate to approximately 24.0% (2023: 12.4%) and recorded a turnover of approximately HK\$13.9 million in compared to turnover of approximately HK\$7.0 million in the year ended 31 July 2023.

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 97.7% (2023: 72.8%) and turnover of approximately HK\$231.2 million during the year in compared to approximately HK\$134.3 million in 2023.

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 31 July 2024, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK\$32.7 million and debt securities of HK\$67.2 million (2023: debt securities of HK\$78.4 million).

Listed equity securities of HK\$32.7 million representing approximately 32.7% of the investment portfolio, consist of 1 equity securities which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and are constituents of the Hang Seng Index. The mark to market valuation of the equity security represents approximately 4.0% of the Group's total assets. The Group held no listed equity security as at 31 July 2023.

During the year, the equity portfolio gave rise to a net fair value loss of HK\$1.5 million (2023: HK\$0.1 million) and dividend income of HK\$0.3 million (2023: HK\$2.6 million).

As at 31 July 2024, the Group had 3 listed (2023: 6) and 1 unlisted (2023: 1) debt securities representing approximately 67.3% (2023: 100.0%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 3.5% (2023: 2.8%) of the Group's total assets, and that of the four largest debt securities held represents approximately 8.3% of the Group's total assets (2023: five largest debt securities held represents approximately 9.4% of the Group's total assets). The remaining 2 debt securities held as at 31 July 2023, represent 0.4% of the Group's total assets, each ranging from 0.0% to 0.4%. Approximately 23.4% (2023: 71.1%) of these debt securities are related to PRC based real estate companies.

During the year, the debts portfolio gave rise to a net fair value loss of HK\$5.1 million (2023: HK\$8.8 million) and interest income of HK\$7.2 million (2023: HK\$4.0 million).

During the year ended 31 July 2022, the Group entered into certain derivative contracts in relation to the listed equity securities held by the Group and recorded a fair value gain of HK\$1.0 million during the year ended 31 July 2023.

DETAILS OF THE QUALIFIED OPINION

The consolidated financial statements of the Group for the year ended 31 July 2023 were audited by, and had been subject to qualified opinion of Deloitte Touche Tohmatsu, the predecessor independent auditor of the Company (the "Predecessor").

The qualifications for the year ended 31 July 2023 are related to share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate (the "Receivables") recorded in the consolidated financial statements of the Group, on the basis as set out in the paragraph headed "Basis for qualified opinion" in the independent auditor's reports dated 30 October 2023. View of the management of the Company (the "Management") and the Audit Committee on the qualified opinion for the year ended 31 July 2023 are set out in the paragraph headed "Details of the qualified opinion" in the chairman's statement in the 2023 annual report.

The consolidated financial statements of the Group for the year ended 31 July 2024 were audited by, and had been subject to qualified opinion of Baker Tilly Hong Kong Limited, the successor independent auditor of the Company.

The qualifications for the year ended 31 July 2024 are only to the extent of the possible effects on the comparative financial information and the opening balances of interest in an associate and the Receivables as at 1 August 2023 and the consequential effect on the share of profit of an associate and the expected credit loss ("ECL") allowance on the Receivables for the year ended 31 July 2024.

During the course of the audit for the year ended 31 July 2024, the independent auditor of the Company considered that:

- (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 31 July 2024 (the "Associate's Financial Statements"), the ECL on loan to and interest receivable 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, had been assessed; and
- (ii) dividend receivable from an associate has been settled during the year ended 31 July 2024 and ECL on amount due from an associate in the consolidated financial statements of the Group as at 31 July 2024 had been assessed.

Chairman's Statement

The independent auditor of the Company qualified their opinion on the consolidated financial statements of the Group (the "Qualified Opinion") only to the extent of the possible effects of the foregoing matter on the comparative financial information and the opening balances of interest in an associate and the Receivables as at 1 August 2023 and the consequential effect on the share of profit of the associate and the ECL allowance on the Receivables for the year ended 31 July 2024.

Management's view on the qualified opinion

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

Interest in an associate and amounts due from an associate and dividend receivables from an associate

(1) *Interest in an associate – ECL on loan to and interest receivable from Entity A carried in the Associate's Financial Statements*

On 31 July 2024, Global Master Management Limited ("Global Master") and Marco Rich Limited ("Marco Rich"), shareholders of Tin Fok (together as "Indemnifiers") and Entity A, entered into a deed of indemnity (the "Deed") in favour of Tin Fok. Based on information available to the Company, Global Master is directly interested in 55% of the shareholding in Tin Fok and holds the entire issued share capital of Marco Rich which in turn holds 8.5% of the shareholding in Tin Fok. The shareholding of Global Master is held as to 14% by Ms. Sio Lai Na (Chairman of the Company), 14% by Ms. Sio Lai Nga (non-executive director of the Company) and 42% by their mother, Ms. Lao Im Ha. Details of the Deed are disclosed in Note 4(a) to the consolidated financial statements.

Based on current information available to the Tin Fok Management, by taking into consideration of the net asset position of Entity A of approximately HK\$1.3 billion as at 31 July 2024 according to its unaudited management accounts and the fair value of the indemnity granted by the Indemnifiers under the Deed determined to be approximately HK\$368 million, Tin Fok Management is of the view that there was no significant increase in the credit risk of the loan to and related interest receivable from Entity A as at 31 July 2024, 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.

(2) *Amounts due from an associate and dividend receivables from an associate*

Amount due from Tin Fok Group of approximately HK\$7.4 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.

Chairman's Statement

Dividend receivable of approximately HK\$12.6 million as at 31 July 2023 represent dividend from Tin Fok recorded in the Group's consolidated financial statements, has been received from Tin Fok in financial years ended 31 July 2024.

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 31 July 2024 and the total 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.

For the ECL assessment as at 31 July 2023, the auditor had requested the Company to provide the methodology adopted, the assumptions applied and the reasonable and supportable information used as required by HKFRS 9. The Company provided the auditor with the same set of information that it had provided to the Predecessor which was mainly the management accounts of Entity A as at 31 August 2023. Nonetheless, the Management acknowledges that given the ECL assessment involves estimates and assumptions of the credit risks of the relevant amounts, the Predecessor is of the view that it was unable to obtain sufficient appropriate audit evidence for the year ended 31 July 2023. As a result, with respect to the type of audit opinion issued by the successor 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.

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 Predecessor 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 successor independent auditor, the Audit Committee acknowledges and agrees with the audit opinion that the successor independent auditor had issued based on its professional and independent assessment.

Action plan of the group to address the qualified opinion

The opinion on the current year's consolidated financial statements of the Group is qualified only to the extent of the possible effects of the foregoing matter on the comparative financial information and the opening balances of interest in an associate and the Receivables as at 1 August 2023 and the consequential effect on the share of profit of an associate and the ECL allowance on the Receivables for the year ended 31 July 2024. As such, the Management and the Audit Committee is of the view that for the financial year ending 31 July 2025, only the consequential audit qualifications on the comparative financial information of the year ended 31 July 2024 will remain, and all qualifications on the matter should be fully removed for the financial year ending 31 July 2026. The independent auditor has confirmed that they concur with this view of the Management and the Audit Committee.

Chairman's Statement

CONTINGENT LIABILITIES

At 31 July 2024, the Group provided guarantees of approximately HK\$9.8 million (2023: HK\$15.1 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.

CAPITAL COMMITMENT

As at 31 July 2024, the Group had capital commitments of approximately HK\$4,954,000 (2023: nil) in relation to renovation works for the hotel operations.

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 31 July 2024, the Group had approximately 95 employees of whom approximately 65 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31 July 2024 amounted to approximately HK\$23.7 million (2023: HK\$19.8 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 Group's business, especially the hotel operation, continues to show improvement after the relaxation of COVID-19 restrictions.

Hotel Fortuna, Foshan is currently under phased renovation as to refresh the room facilities. Such renovation may bring pressure to the hotel's business in short term but is expected to improve the competitiveness of the hotel as to cope with the challenging market in Foshan area and further bust up the occupancy rate in the long run.

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

Sio Lai Na
Chairman

30 October 2024

EXECUTIVE DIRECTORS

Sio Lai Na (“Ms. Lina Sio”), aged 30, is an executive Director, chairman of the Board and a member of the nomination committee of the Board. She was appointed to the Board in December 2023. She has more than five years of experience in fintech and consumer finance business. She is the founder of the Group's consumer finance operation since 2017. She is a director and chief executive officer of Grantit Limited and a director of Shiny Rising Limited, which are both subsidiaries of the Company that provides online consumer finance to customers. Ms. Lina Sio obtained a bachelor's degree in information management for business and a master's degree in technology management from University College London, the United Kingdom. Ms. Lina Sio is the younger sister of Ms. Ali Sio.

Chu Nin Yiu, Stephen, aged 67, 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

Sio Lai Nga (“Ms. Ali Sio”), aged 36, is a non-executive Director. She was appointed to the Board in December 2023. She has more than eleven years of experience in business management and hotel operations. Ms. Ali Sio has been working at Tin Fok Holding Company Limited, which is the owner of Hotel Fortuna Macau, since July 2016 as its executive director and president. Ms. Ali Sio has also worked as a project development manager of the Company since 2016. Ms. Ali Sio obtained a bachelor's degree in science from the London School of Economics and Political Science, United Kingdom and a master of arts degree in communication from Hong Kong Baptist University. Ms. Ali Sio is the elder sister of Ms. Lina Sio.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Ka Hai, Clement, aged 69, obtained a bachelor of arts degree from the University of Huddersfield (now known as University of Lincoln), United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before serving as chairman of Deloitte China from 2014 to 2016. He retired from Deloitte China with effect from June 2016. While working with Deloitte China, Mr. Hung assumed various leadership roles, including the managing partner of Deloitte Shenzhen office and Guangzhou office. He was also a member of the China management team of Deloitte China. Mr. Hung was head of audit of South China and deputy managing partner of South China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global.

Mr. Hung served as the Guangzhou Institute of Certified Public Accountants consultant from 2004 to 2014. During the period between 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement as the chairman of Deloitte China, he was appointed as an expert consultant of the Ministry of Finance in the People's Republic of China. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales.

Directors' Profiles

Mr. Hung is serving as a director of each of the following listed companies whose shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

- a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017;
- an independent non-executive director of China East Education Holdings Limited (stock code: 667) since 25 November 2018;
- an independent non-executive director of Starjoy Wellness and Travel Company Limited (stock code: 3662) since 22 February 2019;
- an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since 13 December 2019;
- an independent non-executive director of Skyworth Group Limited (stock code: 751) since 18 March 2020;
- an independent non-executive director of USPACE Technology Group Limited (stock code: 1725) since 16 July 2021; and
- an independent non-executive director of JX Energy Ltd. (stock code: 3395) since 1 August 2023.

Mr. Hung also serves as an independent supervisor of Ping An Insurance (Group) Company of China Limited whose shares are listed both on the Stock Exchange and Shanghai Stock Exchange (stock code: 2318 and stock code: 601318, respectively) since 18 July 2022.

Yeung Chi Wai, aged 63, 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 Huicheng International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1146) since June 2011. He was an independent non-executive director of Wah Sun Handbags International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2683) from January 2018 to January 2024 and 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.

Directors' Profiles

Wong Kwong Fat, aged 68, 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 42, 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 Building 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 31 July 2024, the Company complied with all applicable provisions of the Corporate Governance Code (the “Code”) as set out in Appendix C1 (formerly Appendix 14) of the Listing Rules except for the following deviation:

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

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

The biographies of the Board members are set out on pages 11 to 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Ms. Lina Sio 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. Hung Ka Hai, Clement (Chairman), Mr. Yeung Chi Wai, 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 31 July 2024.

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 four independent non-executive directors, Mr. Chan Shu Yan, Stephen (Chairman), Mr. Hung Ka Hai, Clement, Mr. Yeung Chi Wai and Mr. Wong Kwong Fat and the executive director and 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 four independent non-executive directors, Mr. Wong Kwong Fat (Chairman), Mr. Hung Ka Hai, Clement, Mr. Yeung Chi Wai and Mr. Chan Shu Yan, Stephen and two executive directors, Ms. Lina Sio, the Chairman of the Board and Mr. Chu Nin Yiu, Stephen, the Chief Executive Officer.

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 2023 Annual General Meeting are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	2023 Annual General Meeting
Number of meetings held	7	3	3	3	1
Executive Directors:					
Sio Lai Na (appointed on 13 December 2023)	5/7	N/A	N/A	2/3	1/1
Chu Nin Yiu, Stephen	7/7	N/A	3/3	3/3	1/1
Tsui Wing Tak (resigned on 13 December 2023)	3/7	N/A	N/A	N/A	0/1
Non-Executive Directors:					
Sio Lai Nga (appointed on 13 December 2023)	5/7	N/A	N/A	N/A	1/1
Lam Yiu Cho (resigned on 13 December 2023)	3/7	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:					
Hung Ka Hai, Clement (appointed on 12 April 2024)	1/7	0/3	1/3	1/3	0/1
Yeung Chi Wai	7/7	3/3	3/3	3/3	1/1
Wong Kwong Fat	7/7	3/3	3/3	3/3	1/1
Chan Shu Yan, Stephen	7/7	3/3	3/3	3/3	1/1

AUDITOR'S REMUNERATION

For the year ended 31 July 2024, remuneration of approximately HK\$1,950,000 was payable to the Auditor for audit service and approximately HK\$390,000 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 53.

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.

Corporate Governance Report

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

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

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

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

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

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

MODEL CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 (formerly Appendix 10) to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

COMMUNICATION WITH SHAREHOLDERS

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

DIVIDEND POLICY

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

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

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

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

ANNUAL GENERAL MEETING

During the year, an annual general meeting was held on 19 January 2024.

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 31 July 2024 (“Reporting Period” or “2024”). 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 business, 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 1 August 2023 to 31 July 2024.

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 C2 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.

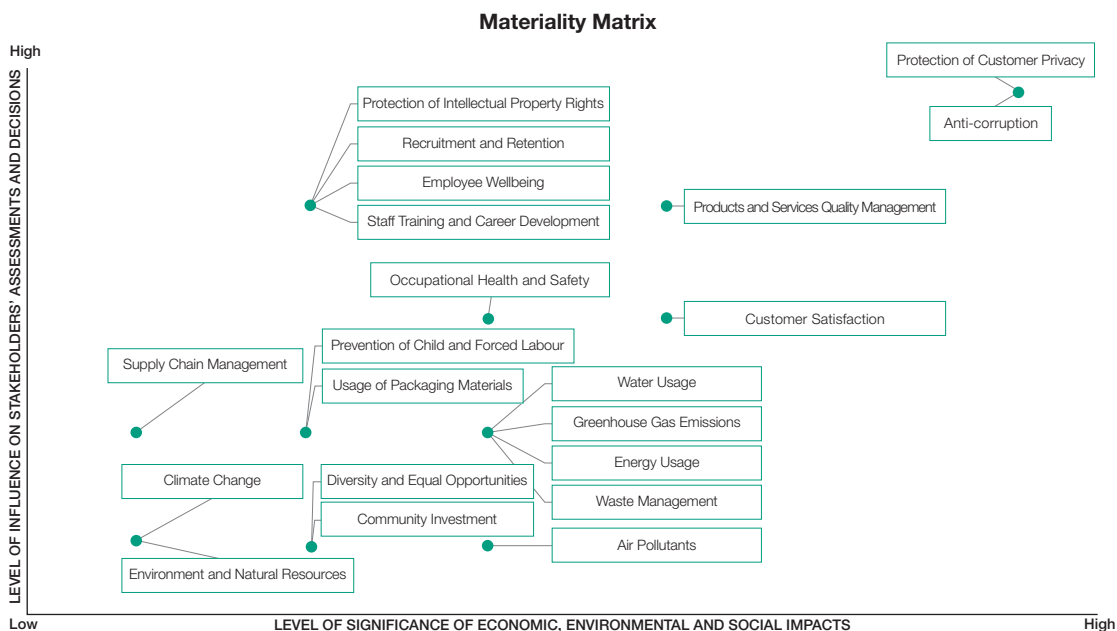
Stakeholders	Expectations and Concerns	Communication Channels
Employees	<ul style="list-style-type: none"> • Labour rights • Employee remuneration and benefits • Healthy and safe working environment • Training and development 	<ul style="list-style-type: none"> • Training and orientation • Email and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

Environmental, Social and Governance Report

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

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, and 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.

During the Reporting Period, there were no significant changes in our stakeholder groups and operations. As such, the Group confirmed that the materiality matrix results in the previous year's ESG report remain relevant to the current financial year's situation and continue to respond to stakeholder expectations. The Group's material ESG issues are summarised below.



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.

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_x"), sulphur oxides ("SO_x") 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.

During the Reporting Period, the Group's NO_x, SO_x and PM intensity were approximately 0.054 g per room night¹, 0.001 g per room night, and 0.004 g per room night, respectively. The Group significantly increased the use of company vehicles due to a rise in hotel operations and total room nights. However, due to mathematical constraints, the Group could still control and reduce the overall air emissions intensity compared to the previous reporting period. Looking forward, the Group will continue to strive to reduce its air emissions, aiming to maintain or reduce the intensity of air emissions in the next reporting year based on 2024.

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;

¹ During the Reporting Period, the Group's total room nights in the hotel operations are 35,691 (2023: 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 2,358.88 (2023: 2,524.52) tCO₂e, and its intensity was approximately 0.07 (2023: 0.14) tCO₂e per room night. The Group observed a decrease in overall GHG emissions and intensity, attributable to several factors. First, the transition from natural gas to electricity in hotel restaurants led to a reduction in Scope 1 GHG emissions. Second, renovations of the hotel resulted in decreased purchased electricity consumption, contributing to a reduction in Scope 2 GHG emissions. Additionally, the utilisation of existing paper inventory from prior purchases decreased the need for new acquisitions, thereby lowering Scope 3 GHG emissions. As a result, total GHG emissions declined and achieved the target set in the last reporting period by reducing the GHG emissions intensity based on 2023. Looking forward, 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 2024.

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 154.00 (2023: 210.00) kg, and its intensity was approximately 0.004 (2023: 0.01) kg per room night. The decrease is mainly due to the utilisation of existing paper inventory from prior purchases decreasing the need for new acquisitions, thereby lowering the non-hazardous waste and achieving the target set in the last reporting period by reducing the non-hazardous waste intensity based on 2023. Looking forward, the Group will continue to strive to reduce its non-hazardous waste generation, aiming to maintain or reduce the intensity of non-hazardous waste in the next reporting year based on 2024.

The Group encourages recycling and has posted signage in the hotel to promote environmental protection for recycling and reusing paper, 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 4,874.68 (2023: 5,263.43) MWh, and its intensity was approximately 0.14 (2023: 0.29) MWh per room night. The decrease in overall energy consumption and intensity is attributable to several factors. First, the transition from natural gas to electricity in hotel restaurants led to a reduction in direct energy emissions. Second, renovations of the hotel resulted in decreased purchased electricity consumption, contributing to a reduction in indirect energy consumption. Therefore, despite the increase in company vehicles' usage due to higher hotel operations and total room nights during the Reporting Period, the overall energy consumption demonstrated a downward trend, and successfully achieved the target set in the last reporting period, by reducing the energy consumption intensity based on 2023. Looking forward, the Group will continue to strive to reduce its energy consumption, aiming to maintain or reduce the intensity of energy consumption in the next reporting year based on 2024.

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 43,838.00 (2023: 63,429.00) m³, and its intensity was approximately 1.23 (2023: 3.45) m³ per room night. The primary factor contributing to the significant reduction in water consumption was the decrease in the frequency of pool water replacement during the Reporting Period, and achieved the target set in the last reporting period, by reducing the water consumption intensity based on 2023. Looking forward, 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 2024. 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.

Environmental, Social and Governance Report

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.

ENVIRONMENT AND NATURAL RESOURCES

The Group does not pose significant environmental impacts and demonstrates a strong commitment to environmental and natural resource 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., extremely 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

Environmental, Social and Governance Report

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.

The Group strictly complies with the Labour Law of the PRC, and other applicable laws in the regions where the Group operates, as well as industry standards. Considering 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.

As of 31 July 2024, the Group had a total of 52 employees (2023: 44 employees) in the hotel operations. All these employees are full-time employees located in Foshan, PRC. 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 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 emergencies 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 was 1 work-related accident causing 1 loss of working days within the Group. The injury occurred when the employee fell in the staff cafeteria, resulting in a wrist injury. The Group promptly arranged for hospital treatment and provided the necessary rest. Additionally, the incident was registered with the Ministry of Human Resources and Social Security of the PRC, and compensation was provided to the employee in accordance with internal procedures. In response to this incident, the Group has reinforced safety protocols to remind employees of the importance of adhering to safety guidelines, aiming to prevent similar occurrences in the future. No incident caused work-related fatalities during the Reporting Period (2023: 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 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.

During the Reporting Period, the Group organised different training courses. All employees were trained, with approximately 6.00 hours of the average of training hours per employee (2023: 0.41 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, 12 suppliers (2023: 10 suppliers) from the PRC 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 (2023: 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' 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, the Measures for the Administration of Internet Advertising, 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. 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 (2023: 0 cases) regarding corrupt practices brought against the Group or its employees during the Reporting Period.

During the Reporting Period, 1 director and 5 employees participated in anti-corruption training with total training hours of 3 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 implement 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. During the Reporting Period, the Group did not undertake any community investment initiatives. While we recognise the importance of contributing to the communities in which we operate, our focus during this time was directed towards internal sustainability efforts and operational improvements. We are committed to exploring future opportunities for community engagement and investment as part of our broader ESG strategy.

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 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

Air emissions²	Unit	2024	2023
Nitrogen oxides (NO _x)	g	1,938.53	1,180.37
Sulphur oxides (SO _x)	g	50.29	33.02
Particulate matter (PM)	g	142.73	86.91
GHG emissions³	Unit	2024	2023
Direct GHG emissions – Scope 1	tCO ₂ e	235.85	265.81
Energy indirect GHG emissions – Scope 2	tCO ₂ e	2,122.29	2,257.70
Other indirect GHG emissions – Scope 3	tCO ₂ e	0.74	1.01
Total GHG emissions – Scope 1, 2 and 3	tCO₂e	2,358.88	2,524.52
Intensity	tCO₂e/room night	0.07	0.14
Non-hazardous waste	Unit	2024	2023
Paper to landfill	Kg	154.00	210.00
Total non-hazardous waste	Kg	154.00	210.00
Intensity	Kg/room night	0.004	0.01
Energy	Unit	2024	2023
Direct energy consumption⁴	MWh	1,153.33	1,304.63
Petrol	MWh	26.69	20.34
Diesel	MWh	6.52	1.44
Natural gas	MWh	1,120.12	1,282.85
Indirect energy consumption	MWh	3,721.35	3,958.80
Purchased electricity	MWh	3,721.35	3,958.80
Total energy consumption	MWh	4,874.68	5,263.43
Intensity	MWh/room night	0.14	0.29
Water	Unit	2024	2023
Total water consumption	m³	43,838.00	63,429.00
Intensity	m³/room night	1.23	3.45

² 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.

³ 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.

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

Environmental, Social and Governance Report

Social

Workforce profile⁵	2024	2023
Total workforce	52	44
By gender		
Male	26	24
Female	26	20
By age group		
Below 30	5	2
30–49	28	38
50 or above	19	4
By employment type		
Full-time	52	44
Part-time	0	0
By geographical region		
The PRC	52	44
Turnover rate⁶	2024	2023
Total employee turnover rate	7.69%	9.09%
By gender		
Male	7.69%	12.50%
Female	7.69%	5.00%
By age group		
Below 30	40.00%	50.00%
30–49	3.57%	7.89%
50 or above	5.26%	0.00%
By geographical region		
The PRC	7.69%	9.09%
Occupational health and safety	2024	2023
Number of lost days due to work injury	1	0
Number of work-related fatalities	0	0
Rate of work-related fatalities ⁷	0	0

⁵ Workforce profile reflects the Group's human capital portfolio as of 31 July 2024.

⁶ Turnover rate is calculated as the "total number of employees leaving employment (in each category) during the financial year divided by the total number of employees (in each category) at the end of the financial year and then multiplied by 100%".

⁷ There were no work-related fatalities in the past 3 years including the Reporting Period.

Environmental, Social and Governance Report

Training and development	2024		2023	
	The percentage of employees trained ⁸	Average training hours completed per employee ⁹	The percentage of employees trained	Average training hours completed per employee
Total	100.00%	6.00	100.00%	0.41
By gender				
Male	50.00%	6.00	100.00%	0.41
Female	50.00%	6.00	0.00%	0.00
By employee category				
Senior management	1.92%	6.00	0.00%	0.00
Middle management	9.62%	6.00	0.00%	0.00
General	88.46%	6.00	100.00%	0.41
Supply chain management	2024		2023	
Total key suppliers	12		10	
By geographical region				
Mainland China		12		10
Anti-corruption	2024		2023	
Concluded legal case		0		0
Number of anti-corruption trainees				
Directors		1		2
Employees		5		5
Number of anti-corruption training hours				
Directors		3		6
Employees		15		15

⁸ 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%"; the percentage of employees trained in each category is calculated as the "total number of employees trained in each category during the financial year divided by the total number of employees trained and then multiplied by 100%".

⁹ Average training hours completed per employee is calculated as the "total hours of employees trained (in each category) during the financial year divided by the total number of employees (in each category) at the end of the financial year".

Environmental, Social and Governance Report

HKEX REPORTING GUIDE CONTENT INDEX

Aspect	Description	Chapter/Section
A. Environmental		
Aspect A1: Emissions		
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
Aspect A2: Use of Resources		
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
Aspect A3: The Environment and Natural Resources		
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
Aspect A4: Climate Change		
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. Social		
Aspect B1: Employment		
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
Aspect B2: Health and Safety		
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
Aspect B3: Development and Training		
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
Aspect B4: Labour Standards		
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
Aspect B5: Supply Chain Management		
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
Aspect B6: Product Responsibility		
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
Aspect B7: Anti-corruption		
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
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community – 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 31 July 2024.

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 37 and 16 to the consolidated financial statements respectively. Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement set out on pages 3 to 10 of this annual report. This discussion forms part of this Directors' Report.

In addition, discussion on the Group's environmental policy and performance, key relationships with the Group's key stakeholders as well as compliance with the relevant laws and regulations which have significant impact on the Group are set out in the Environmental, Social and Governance Report from pages 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 31 July 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54.

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 31 July 2024 are set out on page 124 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 7 December 2012, which was expired on 6 December 2022.

No share options was outstanding at the expiry date of the scheme.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 July 2024 and 2023, the Company had no reserve available for distribution to shareholders.

DIRECTORS

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

Executive Directors

Sio Lai Na (*Chairman*) (appointed on 13 December 2023)

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

Tsui Wing Tak (resigned on 13 December 2023)

Non-Executive Director

Sio Lai Nga (appointed on 13 December 2023)

Lam Yiu Cho (resigned on 13 December 2023)

Independent Non-Executive Directors

Hung Ka Hai, Clement (appointed on 12 April 2024)

Yeung Chi Wai

Wong Kwong Fat

Chan Shu Yan, Stephen

In accordance with Article 94 and 103(A) of the Company's Articles of Association, Mr. Hung Ka Hai, Clement, Mr. Wong Kwong Fat and Mr. Chan Shu Yan, Stephen retire and, being eligible, offer themselves for re-election.

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

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

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

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, Ms. Sio Lai Na 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. Tsui Wing Tak, Mr. Lai Kin Hak, Mr. Leung Chuen, John, Mr. Tang Fung, Mr. Tang Ho Ching and Mr. Zhu Yingjie.

Directors' Report

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 31 July 2024, 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)		
Sio Lai Na ("Ms. Lina Sio")	–	–	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. Ms. Lina Sio was deemed to be interested in the 55,000,000 shares in the Company held through Nichrome Limited ("Nichrome"), which is in turn wholly owned by Ms. Lina Sio.
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.
3. On 27 August 2024, Mr. Chu, Supervalue and Cedarwood Ventures Limited ("Cedarwood", a company wholly owned by Ms. Lina Sio) entered into a sale and purchase agreement, pursuant to which Mr. Chu and Supervalue had agreed to sell 10,521,445 and 31,650,555 shares in the Company respectively, and Cedarwood had agreed to purchase, a total of 42,172,000 shares in the Company, representing approximately 21.7% of the Company's total issued share capital as at the date (the "Acquisition"). Further details of the above are set out in the joint announcement of Cedarwood and the Company dated 3 September 2024.

Immediately upon completion of the Acquisition on 27 August 2024, i) together with the 55,000,000 shares held through Nichrome, shares of the Company deemed to be interested by Ms. Lina Sio increased to 97,172,000 shares, representing approximately 50.0% of the total issued share capital of the Company; ii) Supervalue ceased to be a shareholder of the Company and shares of the Company held and deemed to be interested by Mr. Chu decreased to 5,719,305 shares, representing approximately 2.9% of the total issued share capital of the Company.

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 31 July 2024.

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 33 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 31 July 2024, 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)		
Nichrome	55,000,000	–	–	55,000,000	28.3%
Ms. Lina Sio	–	–	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. Ms. Lina Sio was deemed to be interested in the 55,000,000 shares in the Company held through Nichrome, which is in turn wholly owned by Ms. Lina Sio.
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.
3. On 27 August 2024, Mr. Chu, Supervalue and Cedarwood Ventures Limited ("Cedarwood", a company wholly owned by Ms. Lina Sio) entered into a sale and purchase agreement, pursuant to which Mr. Chu and Supervalue had agreed to sell 10,521,445 and 31,650,555 shares in the Company respectively, and Cedarwood had agreed to purchase, a total of 42,172,000 shares in the Company, representing approximately 21.7% of the Company's total issued share capital as at the date (the "Acquisition"). Further details of the above are set out in the joint announcement of Cedarwood and the Company dated 3 September 2024.

Immediately upon completion of the Acquisition on 27 August 2024, i) together with the 55,000,000 shares held through Nichrome, shares of the Company deemed to be interested by Ms. Lina Sio increased to 97,172,000 shares, representing approximately 50.0% of the total issued share capital of the Company; ii) Supervalue ceased to be a shareholder of the Company and shares of the Company held and deemed to be interested by Mr. Chu decreased to 5,719,305 shares, representing approximately 2.9% of the total issued share capital of the Company.

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 31 July 2024.

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 C1 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 31 July 2024.

AUDITOR

Baker Tilly Hong Kong Limited was appointed as the auditor of the Company with effect from 10 May 2024 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the forthcoming annual general meeting. For details, please refer to the Company's announcement dated 10 May 2024.

The consolidated financial statements of the Group for the year ended 31 July 2024 have been audited by Baker Tilly Hong Kong Limited.

On behalf of the Board

Sio Lai Na

Chairman

30 October 2024

Independent Auditor's Report



TO THE MEMBERS OF CAPITAL ESTATE LIMITED

(incorporated in Hong Kong with limited liability)

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 54 to 122, which comprise the consolidated statement of financial position as at 31 July 2024, 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.

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 31 July 2024, 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

Interest in an associate and amounts due from an associate and dividend receivables from an associate

The Group holds a 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 certain of the directors of the Company, Ms. Sio Lai Na and Ms. Sio Lai Nga and their mother. The Group accounts for its interest in Tin Fok using the equity method of accounting based on the unaudited consolidated financial statements (the "Books") of Tin Fok and its subsidiary (together "Tin Fok Group").

The predecessor independent auditor (the "Predecessor") in its report dated 30 October 2023 stated that they were unable to obtain sufficient appropriate audit evidence they considered necessary to assess the amounts of (i) expected credit loss ("ECL") allowance on a loan to and interest receivable (the "Loan") of HK\$689,488,000 from a private company ("Entity A"), a related company of the former director of the Company, Mr. Sio Tak Hong ("Mr. Sio") that should be recognised in the Books of Tin Fok Group for the year ended 31 July 2023 and (ii) ECL allowance on amount due from and dividend receivables from Tin Fok (collectively the "Receivables") recognised in the consolidated financial statements of the Group for the year ended 31 July 2023. No ECL allowance on the Loan or the Receivables was made during the year ended 31 July 2023, as the management was of the view the amounts were recoverable. As the Predecessor considered that they were unable to obtain sufficient appropriate audit evidence of the foregoing, the Predecessor was unable to determine whether (i) the consequential share of loss and interest in the associate for and as at the year ended 31 July 2023 and (ii) the Receivables as at 31 July 2023 are free from material misstatements. The Predecessor's opinion on the Group's consolidated financial statements for the year ended 31 July 2023 was qualified accordingly.

Independent Auditor's Report

BASIS FOR QUALIFIED OPINION *(Continued)*

Interest in an associate and amounts due from an associate and dividend receivables from an associate *(Continued)*

As disclosed in Note 4(a) to the consolidated financial statements, on 31 July 2024, certain shareholders of Tin Fok (the “Indemnifiers”) and Entity A entered into a deed of indemnity (the “Deed”) in favour of Tin Fok. Pursuant to the Deed, the Indemnifiers jointly agreed to, indemnify Tin Fok against all and any sums owed by Entity A under the Loan.

Accordingly, during the year the management of Tin Fok and the management of the Group had assessed the ECL of the Loan carried in the Books of Tin Fok Group, by taking into consideration of the financial position of Entity A and the fair value of the indemnity granted by the Indemnifiers. Taking into account of the foregoing, the management of the Group is of the view that the credit risk related to the Loan is not significantly increased and the amounts are still recoverable. Therefore, no ECL allowance was recognised in respect of the Loan in the Books of Tin Fok Group for the year ended 31 July 2024.

During the year ended 31 July 2024, the dividend receivables from the associate amounting to HK\$12,621,000 was fully settled by Tin Fok. Also during the year, the management of the Group has assessed the financial position of Tin Fok Group and is of the view that the credit risk of the amount due from the associate of HK\$7,434,000 as at 31 July 2024 is not significantly increased and the amount is still recoverable. Therefore, no ECL was recognised in respect of the Receivables for the year ended 31 July 2024.

Our opinion on the current year's consolidated financial statements of the Group is qualified only to the extent of the possible effects of the foregoing matter on the comparative financial information, the opening balances of interest in an associate and the Receivables as at 1 August 2023 and the consequential effect on the share of profit of the associate and the ECL allowance on the Receivables for the year ended 31 July 2024.

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.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 July 2023 were audited by the Predecessor whose report dated 30 October 2023 expressed a qualified opinion on those consolidated financial statements as described in the Basis for qualified opinion section of our report.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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. In addition to the matters described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in our audit
<p>Valuation of interest in an associate</p> <p>The Group's 32.5% interest in Tin Fok Group is accounted for in the consolidated financial statements under the equity method. The Group's share of the profit of Tin Fok Group for the year ended 31 July 2024 is HK\$20,287,000 and the carrying value of the Group's interest in Tin Fok Group is HK\$165,162,000, which accounted for 364.3% of the Group's profit attributable to owners of the Company and 20.5% of the Group's total assets as at 31 July 2024.</p> <p>We identified valuation of interest in an associate as a key audit matter because of its material impact on the Group's consolidated financial statements and the complexity and management judgement involved in the preparation of the financial information of Tin Fok Group, which increases the risks of material misstatement in the Books of Tin Fok Group, particularly in respect of the assessment of the ECL allowance of the Loan. The assessment of the ECL allowances is inherently subjective and requires significant judgement and estimation which increases the risk of error or potential management bias.</p> <p>The management estimated the level of expected loss, with reference to several matters including but not limited to the financial position of Entity A and the fair value of the indemnity granted by the Indemnifiers under the Deed.</p> <p>As disclosed in Notes 4(a) and 16 to the consolidated financial statements, as at 31 July 2024, the carrying amount of the Loan is HK\$651,370,000. No ECL allowance was provided for the Loan as at 31 July 2024.</p>	<p>Our procedures in relation to valuation of interest in an associate included:</p> <ul style="list-style-type: none"> • Understanding management and Tin Fok's internal controls and assessment process in estimating the ECL allowance on the Loan; • Obtaining and inspecting the Deed; • Obtaining and inspecting the unaudited management accounts of Entity A and obtaining direct confirmation from Entity A on the outstanding balance of the Loan; • Assessing the appropriateness of the Group's model and challenging assumption and data used in estimating the ECL allowance including the reasonableness of default rate and loss given default rate and challenging the appropriateness of forward-looking economic factors applied by management for the adjustment of the level of expected loss. In assessing the loss given default rate, we have taken into account the fair value of the indemnity granted by the Indemnifiers under the Deed; and • Assessing the fair value of the indemnity granted by the Indemnifiers under the Deed by evaluating the reasonableness of key assumptions and estimates made by the management, the key inputs adopted and the sensitivity analysis performed by management around the key assumptions applied in the valuation model.

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 the share of profit of an associate and the ECL allowance on the Receivables and the comparative information and the opening balances of interest in an associate and the Receivables. Accordingly, we are unable to conclude whether or not the other information in the directors' report is materially misstated with respect to this matter.

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

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

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

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

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

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

Independent Auditor's Report

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.
- 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 profit of an associate and the ECL allowance on the Receivables and comparative information and the opening balances of interest in an associate and the Receivables 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 director on the audit resulting in the independent auditor's report is Del Rosario, Faith Corazon.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 30 October 2024

Del Rosario, Faith Corazon

Practising certificate number P06143

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue			
Contracts with customers	5	29,061	8,148
Interest under effective interest method	5	27,338	28,728
Cost of sales		(9,644)	(510)
Direct operating costs		(4,005)	(3,070)
Gross profit			
		42,750	33,296
Other gains and losses	6	(6,271)	(5,242)
Impairment losses under expected credit loss ("ECL") model, net		(9,406)	(13,794)
Other income		17,298	14,510
Marketing expenses		(3,959)	(5,637)
Administrative expenses		(45,127)	(45,283)
Other hotel operating expenses		(11,069)	(11,385)
Share of profit (loss) of an associate		20,287	(991)
Finance costs	7	(49)	(33)
Profit (loss) before taxation			
		4,454	(34,559)
Income tax (expense) credit	8	(667)	862
Profit (loss) for the year			
	9	3,787	(33,697)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(3,260)	(18,465)
Other comprehensive expense for the year			
		(3,260)	(18,465)
Total comprehensive income (expense) for the year			
		527	(52,162)
Profit (loss) for the year attributable to:			
Owners of the Company		5,569	(29,967)
Non-controlling interests		(1,782)	(3,730)
		3,787	(33,697)
Total comprehensive income (expense) attributable to:			
Owners of the Company		3,085	(43,835)
Non-controlling interests		(2,558)	(8,327)
		527	(52,162)
Earnings (loss) per share			
Basic – HK cents	13	2.9	(15.4)

Consolidated Statement of Financial Position

As at 31 July 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	14	211,728	191,070
Right-of-use assets	15	24,238	25,924
Interest in an associate	16	165,162	144,875
Deposit and prepayment for a life insurance policy	17	11,539	11,560
Receivables from customers of consumer finance service	21	17,059	17,510
		429,726	390,939
Current assets			
Properties held for sale	18	29,140	39,242
Inventories	19	274	481
Trade and other receivables	20	12,923	33,531
Receivables from customers of consumer finance service	21	48,013	60,320
Amount due from an associate	22	7,434	7,524
Prepaid income tax		4,108	1,595
Financial assets at fair value through profit or loss ("FVTPL")	23	99,841	78,367
Pledged bank deposit	24	652	646
Bank balances and cash	24	175,038	191,297
		377,423	413,003
Current liabilities			
Trade and other payables	25	15,209	11,063
Contract liabilities		244	2,110
Amounts due to related parties	22	2,068	2,068
Tax payable		4,072	1,890
		21,593	17,131
Net current assets		355,830	395,872
Total assets less current liabilities		785,556	786,811
Non-current liability			
Deferred tax liability	26	19,119	20,901
Net assets		766,437	765,910

Consolidated Statement of Financial Position

As at 31 July 2024

	Note	2024 HK\$'000	2023 HK\$'000
Capital and reserves			
Share capital	27	1,518,519	1,518,519
Reserves		(695,471)	(698,556)
Equity attributable to owners of the Company		823,048	819,963
Non-controlling interests		(56,611)	(54,053)
Total equity		766,437	765,910

The consolidated financial statements on pages 54 to 122 together with the Company's statement of financial position set out in note 38 to the consolidated financial statements were approved and authorised for issue by the board of directors on 30 October 2024 and are signed on its behalf by:

Sio Lai Na
Director

Chu Nin Yiu, Stephen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2024

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Capital reserve	Share option reserve	Capital reduction reserve	Translation reserve	Revaluation reserve	FVTOCI reserve	Accumulated losses	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 38)	HK\$'000	HK\$'000 (Note (i))	HK\$'000 (Note (ii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 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 31 July 2023 and 1 August 2023	1,518,519	157	23,542	170,583	(13,806)	51,510	(73,778)	(856,764)	819,963	(54,053)	765,910	
Profit (loss) for the year	-	-	-	-	-	-	-	5,569	5,569	(1,782)	3,787	
Other comprehensive expense for the year	-	-	-	-	(2,484)	-	-	-	(2,484)	(776)	(3,260)	
Total comprehensive (expense) income for the year	-	-	-	-	(2,484)	-	-	5,569	3,085	(2,558)	527	
At 31 July 2024	1,518,519	157	23,542	170,583	(16,290)	51,510	(73,778)	(851,195)	823,048	(56,611)	766,437	

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 31 July 2024

	2024 HK\$'000	2023 HK\$'000
Operating activities		
Profit (loss) before taxation	4,454	(34,559)
Adjustments for:		
Bank and other interest income	(6,125)	(4,811)
Interest expense	49	33
Depreciation of property, plant and equipment	9,824	10,098
Depreciation of right-of-use assets	1,382	1,490
Premium charges on a life insurance policy	383	378
Share of (profit) loss of an associate	(20,287)	991
Loss on disposal of property, plant and equipment	227	1,125
Decrease in fair value of financial assets at FVTPL	6,596	8,847
Increase in fair value of derivative financial instruments	–	(1,041)
Impairment loss under ECL model, net	9,406	13,794
Operating cash flows before movements in working capital	5,909	(3,655)
Decrease in properties held for sale	9,643	510
Increase in financial assets at FVTPL	(28,070)	(34,583)
Decrease in inventories	201	176
Decrease (increase) in trade and other receivables	780	(12,664)
Decrease (increase) in receivables from customers of consumer finance service	3,352	(24,449)
Decrease in contract liabilities	(1,841)	–
Decrease in trade and other payables	(2,441)	(295)
Cash used in operations	(12,467)	(74,960)
Income tax paid	(2,531)	(67,199)
Net cash used in operating activities	(14,998)	(142,159)
Investing activities		
Interest received	5,757	4,457
Dividend received from an associate	12,621	–
Proceeds on disposal of property, plant and equipment	370	–
Purchase of property, plant and equipment	(19,753)	(66)
Net cash (used in) generated from investing activities	(1,005)	4,391
Financing activities		
Repayment of lease liabilities	–	(307)
Interest on overdraft in brokers' account paid	(49)	(24)
Interest on lease liabilities paid	–	(9)
Net cash used in financing activities	(49)	(340)

Consolidated Statement of Cash Flows

For the year ended 31 July 2024

	2024 HK\$'000	2023 HK\$'000
Net decrease in cash and cash equivalents	(16,052)	(138,108)
Cash and cash equivalents brought forward	191,297	336,137
Effect of foreign exchange rate changes	(207)	(6,732)
Cash and cash equivalents carried forward	175,038	191,297
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	175,038	191,297
Cash flow from operating activities included:		
Interest received from financial assets at FVTPL	7,219	4,025
Dividend received from financial assets at FVTPL	325	2,564

Notes to the Consolidated Financial Statements

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 37 and 16, respectively. The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 1 August 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

Notes to the Consolidated Financial Statements

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year
(Continued)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” 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 has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

Application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

As disclosed in Note 37, the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. The abolition of the offsetting mechanism did not have a material impact on the Group’s results and financial position.

Notes to the Consolidated Financial Statements

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures	Amendments to the Classification and Measurement of Financial Instruments ³
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

⁵ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9 Financial instruments and HKFRS 7 Financial instruments: disclosures “Amendments to the classification and measurement of financial instruments”

The amendments include requirements on:

- classification of financial assets with environmental, social or governance (ESG) targets and similar features;
- settlement of financial liabilities through electronic payment systems; and
- disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The directors of the Company will assess the impact on the application of the amendments. Based on preliminary review of the Group’s financial instruments, the application of the amendments is not expected to have impact on the financial position or performance of the Group but may affect the disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES *(Continued)*

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

HKFRS 18 Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 and aims to improve the transparency and comparability of information about an entity's financial performance. The main changes comprise a more structured income statement, an enhanced disclosure requirements on management-defined performance measures and enhanced requirements on aggregation and disaggregation of information.

The directors of the Company will assess the impact on the application of HKFRS 18. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 18 on the presentation of the Group's performance in the consolidated statement of profit or loss and other comprehensive income until the Group performs a detailed review.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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

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

3.2 Material accounting policy information

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Basis of consolidation (Continued)

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.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Interest in an associate (Continued)

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

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.

Construction in progress represents property, plant and equipment in the course of construction for production, supply or administrative purposes, which are carried at cost less any recognised impairment losses. Cost includes any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components unless such allocation cannot be made reliably.

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets *(Continued)*

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

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the 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.

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.

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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

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

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

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

The Group as a lessor

Classification and measurement of leases

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

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

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessor (Continued)

Lease modification

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

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

Revenue from contracts with customers

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

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

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

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

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers (Continued)

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

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

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services 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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Government grants (Continued)

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”.

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

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

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

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation (Continued)

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

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Employee benefits

Retirement benefit costs

Payments to defined contribution scheme/state-managed retirement benefit schemes/the 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. 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.

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

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;
- 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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(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)*

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.

(ii) Definition of default

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

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

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

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

For 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.

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.

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Financial guarantee contracts

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

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

Notes to the Consolidated Financial Statements

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

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

Derivative financial instruments

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

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Valuation of interest in an associate

The Group's associate, Tin Fok Holding Company Limited ("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 (the "PRC") (note 16). The ultimate controlling shareholders of Tin Fok are certain directors of the Company and their mother. The Group accounted for its interest in Tin Fok using equity method of accounting based on the unaudited consolidated financial statements (the "Books") of Tin Fok Group for the years ended 31 July 2024 and 2023 prepared in accordance with HKFRSs provided by management of Tin Fok. As at 31 July 2024, the carrying amount of interest in an associate is HK\$165,162,000 (2023: HK\$144,875,000). In preparing the Books 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:

Notes to the Consolidated Financial Statements

4 KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Valuation of interest in an associate *(Continued)*

ECL assessment on loan to and interest receivable (the “Loan”) from a private company, being a related company of a former director, Mr. Sio Tak Hong (“Entity A”) in the Books of Tin Fok

As at 31 July 2023 and 1 August 2023, the Loan was unsecured, interest bearing with a maturity date of 30 September 2023 and no ECL allowance was recognised.

On 31 July 2024, Global Master Management Limited and Marco Rich Limited, shareholders of Tin Fok (together as “Indemnifiers”) and Entity A, entered into a deed of indemnity (the “Deed”) in favour of Tin Fok. Pursuant to the Deed, the Indemnifiers jointly agreed to, indemnify Tin Fok against all and any sums owed by Entity A under the Loan; apply all and any dividends payable to them in their capacities as shareholders of Tin Fok towards repayment of the Loan; irrevocably authorises Tin Fok to withhold and apply all and any dividends payable to them to give effect to the foregoing; and in their capacities as shareholders to exercise their respective voting rights for the purpose of approving any dividends payable to them by Tin Fok for the purpose of the Deed. Also, pursuant to the Deed, Entity A and Tin Fok have agreed that Entity A shall repay the Loan in instalments in accordance with a revised repayment schedule with the final repayment to be made on 30 November 2027. Also, on the same date, the shareholders of Tin Fok have adopted a dividend policy, whereby Tin Fok shall, at its best effort, distribute between 95% to 100% of its annual net profits as dividends but, amongst other conditions, only in the years where Tin Fok has generated positive net profits. During the year ended 31 July 2024, Tin Fok received repayments from Entity A on the Loan of HK\$80,000,000. As at 31 July 2024, the balance of the Loan on the books of Tin Fok was HK\$651,370,000 (2023: HK\$689,488,000).

For the purposes of equity accounting the results of Tin Fok Group for the year ended 31 July 2024, the management of Tin Fok and the management of the Group assessed the ECL of the Loan carried in the Books of Tin Fok Group, by taking into consideration of the financial position of Entity A and the fair value of the indemnity granted by the Indemnifiers pursuant to the Deed. On the basis of the foregoing, the management of Tin Fok and the management of the Group are of the view that the credit risk related to the Loan was not significantly increased and the amounts are still recoverable and therefore no ECL was recognised in Tin Fok’s Books for the year ended 31 July 2024 (2023: nil).

Notes to the Consolidated Financial Statements

4 KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) 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 35 respectively.

(c) 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 an 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 amount are lower than the carrying amounts. As at 31 July 2024, the carrying amounts of property, plant and equipment and right-of-use assets relevant to hotel operations are HK\$211,582,000 (2023: HK\$190,898,000) and HK\$24,238,000 (2023: HK\$25,924,000) respectively without impairment recognised.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	2024 HK\$'000	2023 HK\$'000
Type of goods or services		
Revenue from hotel operations		
– Room rentals	12,728	6,750
– Food and beverage sales	1,026	236
– Rendering of ancillary services	126	51
Revenue from sale of properties held for sale	15,181	1,111
	29,061	8,148
Geographic markets		
Mainland China	29,061	8,148
Revenue from contracts with customers		
A point in time	16,333	1,398
Overtime	12,728	6,750
	29,061	8,148

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 31 July 2024, revenue from property sales amounting to HK\$1,841,000 (2023: nil) was included in the contract liabilities at the beginning of the year. As at 1 August 2022, contract liabilities amounted to HK\$2,249,000.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Interest under effective interest method

	2024 HK\$'000	2023 HK\$'000
Interest income from receivables from customers of consumer finance service	27,338	28,728

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 operating and reportable segments:

For the year ended 31 July 2024

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consumer finance HK\$'000	Consolidated HK\$'000
Gross proceeds	13,880	66,338	15,181	27,338	122,737
Segment revenue	13,880	–	15,181	27,338	56,399
Segment (loss) profit	(11,622)	840	5,162	(2,459)	(8,079)
Unallocated income					5,537
Unallocated expenses					(13,242)
Finance costs					(49)
Share of profit of an associate					20,287
Profit before taxation					4,454

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 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					(34,559)

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 profit (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 31 July 2024

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consumer finance HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Assets						
Segment assets	253,784	99,841	35,625	101,578	–	490,828
Interest in an associate					165,162	165,162
Unallocated assets					151,159	151,159
Consolidated total assets						807,149
Liabilities						
Segment liabilities	31,782	124	4,072	211	–	36,189
Unallocated liabilities					4,523	4,523
Consolidated total liabilities						40,712

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 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

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 and amounts due to related parties. Deferred tax liabilities related to the fair value adjustments are allocated to the hotel operations segment.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

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

For the year ended 31 July 2024

	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)	33,114	–	–	114	33,228	12	33,240
Depreciation of property, plant and equipment	9,687	–	–	38	9,725	99	9,824
Depreciation of right-of-use assets	1,382	–	–	–	1,382	–	1,382
Decrease in fair value of financial assets at FVTPL	–	6,596	–	–	6,596	–	6,596
Loss/(gain) on disposal of property, plant and equipment	581	–	–	–	581	(354)	227
Interest income from financial assets at FVTPL	–	7,219	–	–	7,219	–	7,219
Bank and other interest income	16	26	–	543	585	5,540	6,125

For the year ended 31 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

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

Notes to the Consolidated Financial Statements

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	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	27,338	28,728	9	112
Macau	–	–	165,162	144,875
Mainland China	29,061	8,148	235,957	216,882
	56,399	36,876	401,128	361,869

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

Information about a major customer

Revenue of approximately HK\$7,996,000 (2023: nil) was derived from property segment to a single customer which contributed to 10% or more of the Group's total revenue.

6 OTHER GAINS AND LOSSES

	2024	2023
	HK\$'000	HK\$'000
Dividend income from financial assets at FVTPL	325	2,564
Decrease in fair value of financial assets at FVTPL	(6,596)	(8,847)
Increase in fair value of derivative financial instruments	–	1,041
	(6,271)	(5,242)

Notes to the Consolidated Financial Statements

7 FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interests on lease liabilities	–	9
Interests on overdraft in brokers' account	49	24
	49	33

8 INCOME TAX EXPENSE (CREDIT)

	2024 HK\$'000	2023 HK\$'000
Tax expense (credit) comprises:		
PRC land appreciation tax		
Current tax	2,204	152
Deferred taxation (note 26)	(1,537)	(1,014)
	667	(862)

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 both years.

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

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

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

Notes to the Consolidated Financial Statements

8 INCOME TAX EXPENSE (CREDIT) (Continued)

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

	2024 HK\$'000	2023 HK\$'000
Profit (loss) before taxation	4,454	(34,559)
Tax credit at applicable Hong Kong Profits Tax rate	734	(5,702)
PRC land appreciation tax	2,204	152
Tax effect of PRC land appreciation tax	(551)	(38)
Tax effect of share of results of an associate	(3,347)	164
Tax effect of expenses not deductible for tax purpose	1,863	4,773
Tax effect of deductible temporary differences not recognised	676	1,470
Utilisation of unused tax losses previously not recognised	(60)	–
Utilisation of deductible temporary difference previously not recognised	(1,239)	(890)
Tax effect of income not taxable for tax purpose	(4,817)	(3,088)
Tax effect of tax losses not recognised	6,107	3,723
Effect of a different tax rate of subsidiaries operating in another jurisdiction	(903)	(1,426)
Income tax expense (credit) for the year	667	(862)

Details of deferred taxation are set out in note 26.

Notes to the Consolidated Financial Statements

9 PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging (crediting):

	2024 HK\$'000	2023 HK\$'000
Directors' emoluments (note 10)	4,189	3,580
Other staff costs		
– Salaries and other benefits	18,061	15,502
– Retirement benefit scheme contributions	1,413	754
Total employee benefit expenses	23,663	19,836
Auditor's remuneration		
– Current year	1,950	2,950
– Underprovision in prior year	–	960
	1,950	3,910
Cost of inventories recognised as an expense	328	471
Cost of properties sold recognised as an expense	9,644	510
Depreciation of property, plant and equipment included in:		
– other hotel operating expenses	9,687	9,986
– administrative expenses	137	112
Depreciation of right-of-use assets	1,382	1,490
Net foreign exchange (gain) loss	(15)	391
Loss on disposal of property, plant and equipment	227	1,125
Included in other income:		
Bank and other interest income	(6,125)	(4,811)
Interest income from financial assets at FVTPL	(7,219)	(4,025)
Rental income, net of direct operating expense	(1,869)	(2,949)
	(15,213)	(11,785)

Note: During the current year, the Group received government grants as compensation of employee benefits expenses amounting to nil (2023: HK\$215,000, which have been offset against related expenses).

Notes to the Consolidated Financial Statements

10 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2023: six) directors, including the Chief Executive of the Company, are as follows:

2024

	Executive directors			Non-executive directors		Independent non-executive directors				Total HK\$'000
	Ms. Sio Lai Na	Mr. Chu Nin Yiu, Stephen	Mr. Tsui Wing Tak	Ms. Sio Lai Nga	Mr. Lam Yiu Cho	Mr. Hung Ka Hai, Clement	Mr. Yeung Chi Wai	Mr. Wong Kwong Fat	Mr. Chan Shu Yan, Stephen	
	HK\$'000 (note i)	HK\$'000	HK\$'000 (note ii)	HK\$'000 (note iii)	HK\$'000 (Note iv)	HK\$'000 (note v)	HK\$'000	HK\$'000	HK\$'000	
Fees	-	-	199	-	99	-	200	200	200	898
Other emoluments										
– Salaries and other benefits	304	2,620	-	345	-	-	-	-	-	3,269
– Retirement benefit scheme contributions	11	-	-	11	-	-	-	-	-	22
	315	2,620	199	356	99	-	200	200	200	4,189

2023

	Executive directors		Non-executive director	Independent non-executive directors			Total HK\$'000
	Mr. Tsui Wing Tak	Mr. Chu Nin Yiu, Stephen	Mr. Lam Yiu Cho	Mr. Yeung Chi Wai	Mr. Wong Kwong Fat	Mr. Chan Shu Yan, Stephen	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fees	240	-	120	200	200	200	960
Other emoluments							
– Salaries and other benefits	-	2,620	-	-	-	-	2,620
– Retirement benefit scheme contributions	-	-	-	-	-	-	-
	240	2,620	120	200	200	200	3,580

Notes:

- (i) Ms. Sio Lai Na was appointed as an executive director and Chairman of the Company on 13 December 2023.
- (ii) Mr. Tsui Wing Tak resigned as an executive director and Chairman of the Company on 13 December 2023.
- (iii) Ms. Sio Lai Nga was appointed as a non-executive director of the Company on 13 December 2023.
- (iv) Mr. Lam Yiu Cho resigned as a non-executive director of the Company on 13 December 2023.
- (v) Mr. Hung Ka Hai, Clement was appointed as an independent non-executive director of the Company on 12 April 2024.

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 non-executive directors 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 31 July 2024 and 2023, no directors waived any emoluments.

Notes to the Consolidated Financial Statements

11 EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year included one (2023: one) director. Details of whose emoluments are set out in note 10 above. The emoluments of the remaining four (2023: four) employees for the year ended 31 July 2024 were as follows.

	2024 HK\$'000	2023 HK\$'000
Salaries and other benefits	2,745	3,132
Performance related bonuses	38	91
Retirement benefit scheme contributions	60	73
	2,843	3,296

Their emoluments were within the following bands:

	2024 No. of employees	2023 No. of employees
Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$1,500,000	1	–

During the years ended 31 July 2024 and 2023, 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 31 July 2024 and 2023, nor has any dividend been proposed since the end of the reporting periods.

13 EARNINGS (LOSS) PER SHARE

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

	2024 HK\$'000	2023 HK\$'000
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings per share	5,569	(29,967)

	2024	2023
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 was presented as there were no dilutive potential ordinary shares in issue for both years.

Notes to the Consolidated Financial Statements

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	Construction- in progress HK\$'000	Total HK\$'000
Cost							
At 1 August 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 31 July 2023 and 1 August 2023	320,947	2,766	96,862	22,621	2,819	–	446,015
Addition	–	–	26	645	–	32,569	33,240
Transfer	22,049	–	2,888	6,355	–	(31,292)	–
Disposals/write-off	–	–	(3,469)	(5,139)	(997)	–	(9,605)
Currency realignment	(3,630)	(32)	(1,134)	(263)	(13)	–	(5,072)
At 31 July 2024	339,366	2,734	95,173	24,219	1,809	1,277	464,578
Depreciation							
At 1 August 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 31 July 2023 and 1 August 2023	132,252	1,368	96,862	21,755	2,708	–	254,945
Provided for the year	9,471	94	–	162	97	–	9,824
Eliminated on disposals/write-off	–	–	(3,469)	(4,558)	(981)	–	(9,008)
Currency realignment	(1,493)	(16)	(1,134)	(253)	(15)	–	(2,911)
At 31 July 2024	140,230	1,446	92,259	17,106	1,809	–	252,850
Carrying values							
At 31 July 2024	199,136	1,288	2,914	7,113	–	1,277	211,728
At 31 July 2023	188,695	1,398	–	866	111	–	191,070

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 12 years (2023: 1 to 5 years) with fixed lease payments.

Notes to the Consolidated Financial Statements

15 RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
Carrying amounts			
As at 31 July 2024	24,238	–	24,238
As at 31 July 2023	25,924	–	25,924
Depreciation charge			
For the year ended 31 July 2024	1,382	–	1,382
For the year ended 31 July 2023	1,399	91	1,490

	2024 HK\$'000	2023 HK\$'000
Expense relating to short-term leases	1,877	1,687
Total cash outflow for leases	1,877	2,003

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 31 July 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Notes to the Consolidated Financial Statements

16 INTEREST IN AN ASSOCIATE

	2024 HK\$'000	2023 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	(64,293)	(84,580)
	165,162	144,875

At 31 July 2024 and 2023, details of the Group's associate are as follows:

Name of entity	Place of incorporation/ principal place of operation	Proportion of quoted capital held by the Group		Principal activities
		2024	2023	
Tin Fok (note)	Macau	32.5%	32.5%	Hotel operations and property investment

Note: The ultimate controlling shareholders of Tin Fok are the directors of the Company, Ms. Sio Lai Na and Ms. Sio Lai Nga and their mother.

Included in the cost of investment in Tin Fok is goodwill of HK\$2,362,000 (2023: HK\$2,362,000) arising on acquisition of Tin Fok Group.

During the years ended 31 July 2024 and 2023, there were significant improvement in the hotel operation business. The management of the Group considers that as at 31 July 2024 and 2023, there was no indication of impairment of the Group's interest in Tin Fok Group.

Notes to the Consolidated Financial Statements

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 these consolidated financial statements.

	2024 HK\$'000	2023 HK\$'000
Current assets (note (i))	87,497	707,723
Non-current assets (notes (i) and (ii))	1,481,722	895,999
Current liabilities	(362,449)	(406,714)
Non-current liabilities	(754,221)	(803,717)
Non-controlling interests	48,374	45,212
Net assets attributable to owners of Tin Fok	500,923	438,503
Revenue	231,213	134,303
Profit (loss) and total comprehensive income (expense) for the year	62,420	(3,050)
Group's share of profit (loss) of an associate	20,287	(991)

Notes:

- (i) Included in current assets and non-current assets is the balance of Loan of HK\$651,370,000 (2023: HK\$689,488,000), for which no ECL allowance was recognised. The Loan is interest bearing and had an original maturity date of 30 September 2023. On 31 July 2024, pursuant to the Deed, the maturity date of the Loan was extended to 30 November 2027 and accordingly portion of the Loan was reclassified as non-current assets. Also, pursuant to the Deed the Indemnifiers has jointly agreed to indemnify Tin Fok against all and any sums owed to Tin Fok under the Loan. Details of the Deed have been set out in note 4(a) to the consolidated financial statements.
- (ii) As at 31 July 2024, included in the non-current assets of Tin Fok Group is property, plant and equipment in respect of hotel operations amounted HK\$584,321,000 (2023: HK\$612,119,000). As at 31 July 2024 and 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 the improvement in the hotel operations of Tin Fok.

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

	2024 HK\$'000	2023 HK\$'000
Net assets attributable to owners of Tin Fok	500,923	438,503
Proportion of the Group's ownership interest in Tin Fok	32.5%	32.5%
Goodwill	162,800	142,513
	2,362	2,362
Carrying amount of the Group's interest in Tin Fok	165,162	144,875

Notes to the Consolidated Financial Statements

17 DEPOSIT AND PREPAYMENT FOR A LIFE INSURANCE POLICY

During the year ended 31 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\$”) 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 US\$, a currency other than the functional currency of the relevant group entity.

Notes to the Consolidated Financial Statements

18 PROPERTIES HELD FOR SALE

The properties held for sale are in Mainland China.

	2024 HK\$'000	2023 HK\$'000
Properties for sale	29,140	39,242

The carrying value of leasehold lands held within properties held for sale was HK\$6,824,000 (2023: HK\$9,190,000).

19 INVENTORIES

The inventories at 31 July 2024 and 2023 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 certain of its customers of hotel business. The following is an aged analysis of trade receivables, presented based on invoice date:

	2024 HK\$'000	2023 HK\$'000
Trade receivables:		
0 to 30 days	243	274
31 to 60 days	38	190
61 to 90 days	38	5
91 days or above	339	333
	658	802
Prepayments and deposits	3,395	11,364
Other receivables (note)	8,870	21,365
	12,923	33,531

Note: As at 31 July 2023, dividend receivable from an associate included in other receivables amounted to HK\$12,621,000. The dividend receivable was fully settled during the year ended 31 July 2024.

As at 1 August 2022, trade receivables with customers amounted to HK\$593,000.

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 not 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 31 July 2024 are set out in note 35.

Notes to the Consolidated Financial Statements

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\$300,000 (2023: HK\$2,000 to HK\$120,000). The receivables are unsecured and carry interest at fixed rates ranging from 4% to 45% (2023: 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 31 July 2024, impairment losses under ECL model amounting to HK\$9,532,000 (2023: HK\$13,783,000) was recognised. At the end of reporting period, aggregate net balances with customers of consumer finance service with payment past due are HK\$1,044,000 (2023: HK\$1,643,000). Details of impairment assessment are set out in note 35.

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

	2024 HK\$'000	2023 HK\$'000
Within one month	3,508	4,531
Six months or less but over one month	21,774	28,046
One year or less but over six months	22,731	27,743
Over one year	17,059	17,510
	65,072	77,830
Analysed as:		
Current portion	48,013	60,320
Non-current portion	17,059	17,510
	65,072	77,830

Notes to the Consolidated Financial Statements

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 31 July 2024 are set out in note 35.

(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	2024 HK\$'000	2023 HK\$'000
Gao Wang Investments Limited ("Gao Wang")	(i)	1,034	1,034
Gold Champion Investments Limited ("Gold Champion")	(ii)	1,034	1,034
		2,068	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 37). Mr. Lai Kin Hak is a director of certain subsidiaries of the Company, including Hotel Fortuna Foshan (as defined in note 37).
- (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

	2024 HK\$'000	2023 HK\$'000
Listed debt securities in Hong Kong	–	28,341
Listed debt securities overseas	67,171	50,026
Listed equity securities in Hong Kong	32,670	–
	99,841	78,367

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

Notes to the Consolidated Financial Statements

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 0.88% (2023: 0.75%) 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 0.01% to 4.3% (2023: nil to 5.25%) 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:

	2024 HK\$'000	2023 HK\$'000
Trade payables:		
0 to 30 days	108	62
31 to 60 days	28	52
61 to 90 days	8	28
91 days or above	156	54
	300	196
Accruals	2,057	3,527
Other payables	12,852	7,340
	15,209	11,063

Notes to the Consolidated Financial Statements

26 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 31 July 2022	23,357
Currency realignment	(1,442)
Credit to profit or loss	(1,014)
At 31 July 2023 and 1 August 2023	20,901
Currency realignment	(245)
Credit to profit or loss	(1,537)
At 31 July 2024	19,119

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 31 July 2024, the Group has unused tax losses of HK\$458,616,000 (2023: HK\$435,473,000) arising in Hong Kong available to offset against future profits, which may be carried forward indefinitely. The Group has unused tax losses arising in the PRC of HK\$99,505,000 (2023: HK\$91,670,000) that will expire in one to five years for offsetting against future taxable profits. The Group also has deductible temporary differences of HK\$12,968,000 (2023: HK\$16,381,000). No deferred tax assets have been recognised in respect of such tax losses and deductible temporary differences due to unpredictability of future profit streams.

27 SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1 August 2022, 31 July 2023 and 31 July 2024	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

28 PLEDGE OF ASSETS

Bank deposit of HK\$652,000 (2023: HK\$646,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2023: HK\$600,000) granted to the Group, HK\$1,000 (2023: nil) of which were utilised by the Group.

29 RETIREMENT BENEFIT SCHEMES

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

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

The retirement benefit scheme contributions arising from the MPF Scheme and the PRC state-managed retirement benefit schemes recognised in profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes. During the year ended 31 July 2024, contributions of the Group under the MPF Scheme and the PRC state-managed retirement benefit schemes amounted to HK\$1,435,000 (2023: HK\$754,000).

Notes to the Consolidated Financial Statements

30 OPERATING LEASES

The Group as lessor

Certain of the Group's properties are rented to third parties for periods up to 12 years (2023: 5 years) at fixed predetermined amounts.

Lease payments receivables on leases are as followed:

	2024 HK\$'000	2023 HK\$'000
Within one year	2,863	2,515
Between one and two years	2,779	–
Between three and five years	8,584	–
More than five years	11,197	–
	25,423	2,515

31 FINANCIAL GUARANTEES

At 31 July 2024, the Group provided guarantees of HK\$9,764,000 (2023: HK\$15,053,000) 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.

32 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
Balance at 1 August 2022	–	307
Interest expenses	24	9
Financing cash flows	(24)	(316)
Balance at 31 July 2023 and 1 August 2023	–	–
Interest expenses	49	–
Financing cash flows	(49)	–
Balance as 31 July 2024	–	–

Notes to the Consolidated Financial Statements

33 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	2024 HK\$'000	2023 HK\$'000
Related company (Note)	Expense related to short-term leases	541	1,356

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

(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:

	2024 HK\$'000	2023 HK\$'000
Short-term benefits	4,189	3,580

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.

34 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.

Notes to the Consolidated Financial Statements

35 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets		
FVTPL	99,841	78,367
Amortised cost	258,170	299,910
Financial liabilities		
Amortised cost	15,220	9,604

(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:

	2024 HK\$'000	2023 HK\$'000
US\$	97,008	116,881

Sensitivity analysis

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

Notes to the Consolidated Financial Statements

35 FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate listed debt securities. 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

(ii) Other price risk

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

The Group's price risk is mainly concentrated on listed debt and equity securities (2023: listed debt 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\$99,841,000 (2023: HK\$78,367,000) had been 10% higher/lower, the Group's profit after taxation would increase/decrease by HK\$9,984,000 (2023: loss after taxation would decrease/increase by HK\$7,837,000) as a result of the changes in fair value of listed debt securities and equity securities (2023: listed debt securities) at FVTPL.

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 31.

Notes to the Consolidated Financial Statements

35 FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

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.

For trade receivables with gross carrying amount of HK\$658,000 (2023: HK\$802,000), 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 31 July 2024 and 31 July 2023, no impairment allowance was recognised for trade receivables based on the provision matrix.

The Receivables

The Group regularly monitors the business performance of Tin Fok. 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 31 July 2024 and 2023, the Group assessed the ECL for the Receivables and considered the ECL allowance to be insignificant and thus no loss allowance was recognised.

Other receivables

For other receivables with gross carrying amount of HK\$8,870,000 (2023: HK\$8,744,000), 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 31 July 2024 and 2023.

Notes to the Consolidated Financial Statements

35 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\$72,586,000 (2023: HK\$87,402,000) 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\$2,018,000 (2023: HK\$4,211,000) was assessed individually. Impairment allowance of HK\$2,018,000 (2023: HK\$4,211,000) 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 1 August 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 31 July 2023 and 1 August 2023	9,572	4,211	13,783
Net impairment loss recognised	9,406	–	9,406
Transfer to credit-impaired	(11,464)	11,464	–
Write-off	–	(13,657)	(13,657)
As at 31 July 2024	7,514	2,018	9,532

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

35 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\$652,000 (2023: HK\$646,000) and bank balances with gross carrying amount of HK\$175,038,000 (2023: HK\$191,297,000) 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\$9,764,000 as at 31 July 2024 (2023: HK\$15,053,000). 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 31.

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.

Notes to the Consolidated Financial Statements

35 FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

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

	Repayable on demand/less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.7.2024 HK\$'000
2024			
Trade and other payables	13,152	13,152	13,152
Amounts due to related parties	2,068	2,068	2,068
	15,220	15,220	15,220
Financial guarantees	9,764	9,764	–

	Repayable on demand/less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.7.2023 HK\$'000
2023			
Trade and other payables	7,536	7,536	7,536
Amounts due to related parties	2,068	2,068	2,068
	9,604	9,604	9,604
Financial guarantees	15,053	15,053	–

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

35 FINANCIAL INSTRUMENTS *(Continued)*

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

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

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

Financial assets	Fair value at 31 July		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs and sensitivity analysis
	2024	2023			
	HK\$'000	HK\$'000			
Listed debt securities at FVTPL	67,171	78,367	Level 1	Quoted bid prices in active market	N/A
Listed equity securities at FVTPL	32,670	–	Level 1	Quoted bid prices in active market	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 recorded at amortised cost in the consolidated financial statements approximate to their respective fair values.

36 CAPITAL COMMITMENT

At 31 July 2024, capital commitment not provided for in the financial statements were as follow:

	2024	2023
	HK\$'000	HK\$'000
Contracted but not provided for in respect of – Property, plant and equipment	4,954	–

Notes to the Consolidated Financial Statements

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 July 2024 and 2023 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		
			2024 %	2023 %	2024 %	2023 %	
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

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. Majority of these subsidiaries are incorporated in the British Virgin Islands (“BVI”) and Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation	Number of subsidiaries	
		2024	2023
Investment holding	BVI	5	5
	Hong Kong	1	1
Inactive	BVI	2	2
	Hong Kong	5	5
	Mainland China	1	1
		14	14

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	
		2024	2023	2024	2023	2024	2023
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hotel Fortuna Group (note)	Hong Kong	25%	25%	(1,782)	(3,729)	(55,591)	(53,033)
Individually immaterial subsidiaries with non-controlling interests						(1,020)	(1,020)
						(56,611)	(54,053)

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

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Hotel Fortuna Group

	2024 HK\$'000	2023 HK\$'000
Current assets	61,023	85,556
Non-current assets	235,820	216,822
Current liabilities	(500,089)	(493,612)
Non-current liabilities	(19,119)	(20,901)
Equity attributable to owners of the Company	(166,774)	(159,102)
Non-controlling interests	(55,591)	(53,033)

Notes to the Consolidated Financial Statements

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Hotel Fortuna Group

	2024 HK\$'000	2023 HK\$'000
Revenue	29,061	8,148
Loss attributable to owners of the Company	(5,344)	(11,187)
Loss attributable to non-controlling interests	(1,782)	(3,729)
Loss for the year	(7,126)	(14,916)
Other comprehensive expense attributable to owners of the Company	(2,328)	(13,791)
Other comprehensive expense attributable to non-controlling interests	(776)	(4,597)
Other comprehensive expense for the year	(3,104)	(18,388)
Total comprehensive expense attributable to owners of the Company	(7,672)	(24,978)
Total comprehensive expense attributable to non-controlling interests	(2,558)	(8,326)
Total comprehensive expense for the year	(10,230)	(33,304)
Net cash generated from (used in) operating activities	11,824	(84,945)
Net cash (used in) generated from investing activities	(19,610)	131
Net cash generated from financing activities	6	130
Net cash outflow	(7,780)	(84,684)

Notes to the Consolidated Financial Statements

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Investments in subsidiaries	10	10
Amounts due from subsidiaries	642,079	631,684
	642,089	631,694
Current assets		
Deposit	405	132
Bank balances	132,040	139,471
	132,445	139,603
Current liabilities		
Other payables	1,265	2,914
Amounts due to subsidiaries	15,310	15,415
	16,575	18,329
Net current assets	115,870	121,274
Net assets	757,959	752,968
Capital and reserves		
Share capital	1,518,519	1,518,519
Reserves (note)	(760,560)	(765,551)
Total equity	757,959	752,968

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 1 August 2022	2,127	23,542	170,583	(911,109)	(714,857)
Loss and total comprehensive expense for the year	–	–	–	(50,694)	(50,694)
At 31 July 2023 and 1 August 2023	2,127	23,542	170,583	(961,803)	(765,551)
Profit and total comprehensive income for the year	–	–	–	4,991	4,991
At 31 July 2024	2,127	23,542	170,583	(956,812)	(760,560)

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

RESULTS

	Year ended 31 July				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2020 HK\$'000 (restated)
Revenue	56,399	36,876	87,273	132,063	102,875
Loss on financial investments	(6,271)	(5,242)	(38,436)	(26,384)	(5,321)
	50,128	31,634	48,837	105,679	97,554
Profit (loss) before taxation	4,454	(34,559)	(76,699)	(17,126)	(29,745)
Income tax (expense) credit	(667)	862	(27,617)	(12,328)	(2,459)
Profit (loss) for the year	3,787	(33,697)	(104,316)	(29,454)	(32,204)
Attributable to:					
Owners of the Company	5,569	(29,967)	(98,255)	(34,068)	(29,497)
Non-controlling interests	(1,782)	(3,730)	(6,061)	4,614	(2,707)
	3,787	(33,697)	(104,316)	(29,454)	(32,204)

ASSETS AND LIABILITIES

	At 31 July				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Total assets	807,149	803,942	980,884	1,127,492	1,196,380
Total liabilities	(40,712)	(38,032)	(162,812)	(193,844)	(260,922)
	766,437	765,910	818,072	933,648	935,458
Equity attributable to owners of the Company	823,048	819,963	863,798	970,498	983,833
Non-controlling interests	(56,611)	(54,053)	(45,726)	(36,850)	(48,375)
	766,437	765,910	818,072	933,648	935,458

Major Properties

Particulars of major properties held by the Group at 31 July 2024 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%