CAPITAL ESTATE LIMITED
冠中地產有限公司
(Incorporated in Hong Kong with limited liability)
Stock Code: 193

ANNUAL REPORT 2017

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

COMPANY SECRETARY

Hung Yat Ming

AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen
Hung Yat Ming

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

LEGAL ADVISER

Reed Smith Richards Butler

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

17th Floor
MassMutual Tower
33 Lockhart Road
Wan Chai, Hong Kong

STOCK CODE

193

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Capital Estate Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st July, 2017.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$124.9 million for the year ended 31st July, 2017 (2016: HK$217.2 million), which comprised gross proceeds from hotel operations of HK$82.4 million (2016: HK$88.5 million) and income from sales of securities and other business segments totaling HK$42.5 million (2016: HK$128.7 million).

Profit for the year attributable to owners of the Company for the year ended 31st July, 2017 was HK$60.3 million, as compared to loss of HK$133.6 million for last year.

The turnaround from loss to profit in the year ended 31st July, 2017 was mainly attributable to (i) a gain of HK$90.0 million recognised in profit or loss, being the total amount of instalments received during the year up to 31st July, 2017 from Kong Kei Construction Limited ("Kong Kei") pursuant to the two deeds of settlement relating to a property for development in Macau, details of which are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016 and 26th August, 2016, as compared with the loss on derecognition of that property amounting to HK$60.0 million last year; and (ii) share of profit of associate amounting to HK$12.9 million (2016: share of loss of HK$24.4 million) resulting from improvement in operation and increase in fair value of investment properties.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2017, the Group had bank balances and cash (including restricted bank balances) of HK$304.5 million (2016: HK$74.1 million) mainly in Renminbi and Hong Kong dollars and marketable securities totalling HK$64.2 million (2016: HK$42.4 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2017 (2016: Nil).

On 4th August, 2016, the Company entered into a placing agreement with a placing agent to place 185,000,000 new shares on a best effort basis at a placing price of HK$0.077 per share. The placing was completed on 17th August, 2016 and the number of shares in issue of the Company was increased to 3,886,751,193 shares.

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 79.9% at 31st July, 2017 (2016: 55.3%).

EXCHANGE RATE EXPOSURE

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

Chairman's Statement

BUSINESS REVIEW

For the year ended 31st July, 2017, the principal activities of the Group are property development, hotel operation, financial investment and related activities.

Property investment and development

Foshan, the People's Republic of China ("PRC")

The superstructure construction of the residential project alongside Hotel Fortuna, Foshan has been completed and pre-sales consent has been granted. Sales activities have commenced and deposits from pre-sales amounting to approximately HK$252.8 million have been received up to 31st July, 2017. The highrise residential development with a total gross floor area of approximately 86,000 square meters is expected to contribute significant revenue to the Group in the foreseeable future.

Nam Van Lake, Macau

The Group continues to hold an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company. The site is for the development of a luxurious residential building on the waterfront at Nam Van Lake with a maximum permitted gross floor area of approximately 55,800 square meters. Approval from the government for the development is pending.

Coloane, Macau

On 5th August, 2016, the Company, through a 99% owned subsidiary Sun Fat Investment and Industry Company Limited ("Sun Fat"), received a written notification dated 1st August, 2016 from the Land, Public Works and Transport Bureau of Macau (the "Notification") informing that the validity period of the land grant in respect of the parcel of land of approximately 9,553 square meters located in Coloane held through Sun Fat for development (the "Macau Land") had expired and the Macau Land should be returned to the government of Macau without compensation. Sun Fat lodged a judicial appeal in September, 2016, and continues to seek legal advices as to the possible steps that can be taken.

On 26th August, 2016, the Group, through two wholly owned subsidiaries, entered into deeds of settlement with Kong Kei, vendor of Sun Fat and a warrantor. Pursuant to the deeds of settlement, as the Group could not obtain approval from the relevant Macau government authorities in respect of the amendment of the land lease concession of the Macau Land and in light of the Notification, Kong Kei and the warrantor agreed to repay to the Group an aggregate sum of approximately HK$298.0 million which was the actual amount paid by the Group to Kong Kei for the acquisition of 99% equity interest of Sun Fat.

Up to 31st July, 2017, the Group received HK$90.0 million from Kong Kei, which is recognised in profit or loss in the year under review.

Further details of the above are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016 and 26th August, 2016.

Hotel operation

The Group has a 75% effective interest in Hotel Fortuna, Foshan with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC. During the year ended 31st December, 2016, the hotel had a stable occupancy rate of approximately 53.0% and a turnover of approximately HK$78.6 million in 2016 compared to HK$102.3 million in 2015. The drop in turnover was mainly due to the outsourcing of certain ancillary services to save non-core business cost and resources.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. The hotel maintained a high occupancy rate of approximately 89.9% and recorded a turnover of approximately HK$216.4 million in 2016 compared to HK$214.2 million in 2015.

EMPLOYEES

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

At 31st July, 2017, the Group had approximately 410 employees of which approximately 390 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2017 amounted to approximately HK$42.0 million (2016: HK$46.1 million).

PROSPECTS

During the year, the Group received repayments totalling HK$90.0 million from Kong Kei, the vendor of Sun Fat, deposits from the pre-sales of the Foshan residential project of approximately HK$252.8 million and net proceeds from the placing of approximately HK$13.8 million. These together have strengthened the financial position of the Group and broadened its capital base.

The Group's cash position is expected to be further enhanced in view of the forthcoming revenue from the sales of the Foshan residential project and further repayment from Kong Kei. The Group will use such extra funding to boost its existing operations and seize viable investment projects.

Facing the challenging economic environment and uncertainties, the Group remains overall confident of the general prosperity and business potential of the PRC, Macau and nearby regions. The management will continue to cautiously monitor its existing businesses, and capture viable business opportunities to maintain sustainable long term growth of the Group.

Chairman's Statement

ACKNOWLEDGEMENTS

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

By Order of the Board

Sio Tak Hong
Chairman

24th October, 2017

EXECUTIVE DIRECTORS

Sio Tak Hong, aged 54, is an Executive Director, Chairman of the Company. He was appointed to the Board in July 2009. Mr. Sio has business and management experience and has been engaged in property projects and commercial developments in Macau and Mainland China. Mr. Sio is also a member of the National Committee of the Chinese People's Political Consultative Conference, representative of the Election Committee of Chief Executive of Macau and a Honorary Consul of Grenada since 2005.

Chu Nin Yiu, Stephen, aged 60, is an Executive Director, Chief Executive Officer of the Company. He was appointed to the Board in May 2005. Mr. Stephen Chu was a 1994 Awardee Member of Hong Kong Young Industrialists Council Limited, and a director of Tung Wah Group of Hospitals for the year 2001/02. He is the younger brother of the Deputy Chairman of the Company, Mr. Chu Nin Wai, David.

Chu Nin Wai, David, aged 62, is an Executive Director, Deputy Chairman of the Company. He was appointed to the Board in May 2005. He has experience in property development and investment. He is the elder brother of the Chief Executive Officer and the substantial shareholder of the Company, Mr. Chu Nin Yiu, Stephen.

Lau Chi Kan, Michael, aged 60, joined the Board in May 2005. He owns and manages a garment merchandising and trading company in Hong Kong and an apparel importing company in the United States. Mr. Lau is also the major shareholder of a number of companies in Hong Kong, which are engaged in furniture and textile trading.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Sze Kuen, Billy, aged 70, was appointed to the Board in May 2005. He has professional experience in audit and accounting, and is currently a director of a CPA firm in Hong Kong. Mr. Li is a member of the Institute of Chartered Accountants of Manitoba, and the Hong Kong Institute of Certified Public Accountants.

Wong Kwong Fat, aged 61, was appointed to the Board in June 2005. He joined an insurance broking company in Hong Kong as a manager on 1 April 2001. He is responsible for staff management and co-ordination and the marketing and promotion of and advising on various insurance policies. Mr. Wong is a Fellow Chartered Financial Practitioner of the Life Underwriter Association of Hong Kong.

Leung Kam Fai, aged 56, was appointed to the Board in June 2005. He is a solicitor of the High Court of Hong Kong. Mr. Leung currently is a partner solicitor with Messrs. Patrick Wong & Co., Solicitors. Mr. Leung graduated from the University of Hong Kong with a Bachelor of Laws degree, and was awarded the Sir Man Kam Lo/ Jardine Scholarship in 1991. He also holds a Bachelor of Arts degree from the University of Washington in the United States and a postgraduate certificate in laws from the University of Hong Kong.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31st July, 2017, the Company complied with all applicable provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Code") except for the following deviation:

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

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

BOARD OF DIRECTORS

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

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

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

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

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

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

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

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2017.

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

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 2016 Annual General Meeting are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	2016 Annual General Meeting
Number of meetings held	4	2	1	1	1
Executive Directors:					
Sio Tak Hong	4/4	N/A	N/A	N/A	1/1
Chu Nin Yiu, Stephen	4/4	N/A	1/1	1/1	1/1
Chu Nin Wai, David	4/4	N/A	N/A	N/A	1/1
Lau Chi Kan, Michael	3/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Leung Kam Fai	4/4	2/2	1/1	1/1	1/1
Wong Kwong Fat	4/4	2/2	1/1	1/1	1/1
Li Sze Kuen, Billy	4/4	2/2	1/1	1/1	1/1

AUDITOR'S REMUNERATION

For the year ended 31st July, 2017, remuneration of approximately HK$2,020,000 was payable to the Auditor for audit service and approximately HK$668,000 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 27 to 31.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

MODEL CODES FOR SECURITIES TRANSACTIONS

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

COMMUNICATION WITH SHAREHOLDERS

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

ANNUAL GENERAL MEETING

During the year, an annual general meeting was held on 7th December, 2016.

SHAREHOLDERS RIGHTS

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

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

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

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

(ii) Procedure for Sending Enquiries to the Board

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

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

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

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

Environmental, Social and Governance Report

REPORTING PRINCIPLE AND SCOPE

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

The Group is principally engaged in hotel operation, property development, financial investment and related businesses, with its operating turnover mainly from the hotel operation. Having taken into account the materiality of business contributions, interest distribution, among other things, this ESG Report primarily discloses our performance and initiatives of the hotel operation in Mainland China for the period between 1st August, 2016 and 31st July, 2017 ("Reporting Period") in environmental, social and governance aspects.

ENVIRONMENTAL ASPECT

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

- 95% of our low-efficiency lighting system has been replaced with LED and energy-saving lamps
- Centralised air-conditioning system has been installed. The number of operating air-conditioners is determined by the temperature of the water-side system, to reduce energy consumption
- Frequency inverters are used to control machines with high power output
- Energy-saving stoves are applied in kitchens
- Flue gas will only be emitted after oil separation and precipitation by hydrovents and electrostatic oil separation equipment, to ensure that the emission of flue gas and oil meets national requirement

The Group promotes environmental awareness among employees and encourages them to work with a "paperless" approach, such as using electronic communication for general office operation, storing information of employees, clients and suppliers with electronic files, confirming and processing guest room reservation through online platform or electronically. We also encourage our staff to apply double-sided printing to reduce paper usage and wastage, and switch off idling lighting, personal computer and other devices. During the Reporting Period, the Group's electricity consumption decreased 4% as compared to the same period of previous year.

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

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

SOCIAL ASPECT

Our Employees

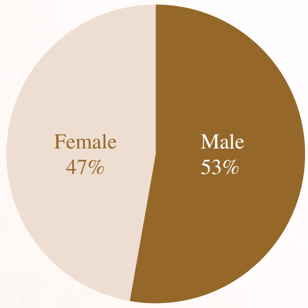
Employees are the most valuable assets of an enterprise and the core driver for enhancing competitiveness and fostering long-term development. Therefore, we offer competitive remuneration package, in terms of recruitment, salary, promotion and benefits, to attract and retain talent.

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

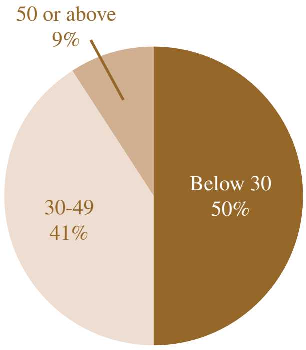
We offer our staff with reasonable and competitive salary and benefits, including paid holidays, housing provident funds, social insurance and commercial insurance and so on. Meanwhile, the Group ceaselessly improves its recruitment and promotion program. Employees' remuneration, benefit and promotion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

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

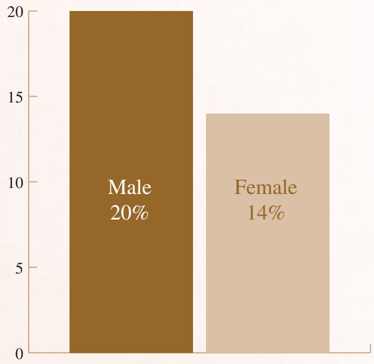
As at 31st July 2017, we had a total of 410 employees.



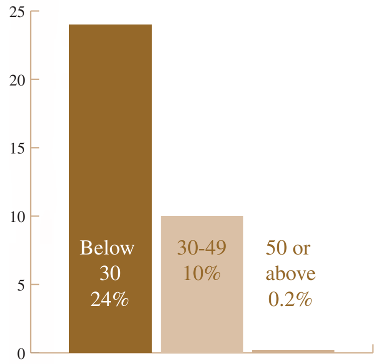
Employees by gender



Employees by age group



Employee turnover rate by gender



Employee turnover rate by age group

Health and Safety

We place importance on the occupational safety as we consider employees' health and safety as our priority. Hence, the Group strives to provide a safe and stable working environment to its staff. We equip our employees with protective gear including cut-resistant gloves, slip-resistant shoes to reduce accidents. For special positions, such as electricians, elevator operators and lifeguards, these employees are required to hold professional certificates to assume the positions. During the Reporting Period, there were 7 work-related accidents within the Group, representing a 30% decrease year-on-year, and there was no incident that caused work-related fatalities.

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

Male	4 persons	18 days
Female	3 persons	21 days

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

Development and Training

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

Service quality is critical to the services sector, such as hotel operation. The Group regularly provides training program of service etiquette, professional moral standard and English speaking to improve service quality and speaking skills, and elevate our service level. For senior management, we provide value-added programs such as "How to Build An Excellent Team", "Enhancing Execution Capability" and "Developing Sense of Belonging" to improve their management capability and reinforce cohesion and execution of the team. During the Reporting Period, the Group organised 120 training courses. Average training hours of executives and other employees were 80 hours and 72 hours, respectively.

Supply Chain Management

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

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

We stress the importance of local procurement. 48 suppliers hired during the Reporting Period are local suppliers that efficiently lowered our carbon emission generated by transportation. We determine procurement prices according to the monthly price fluctuation in order to control supply costs and achieve the best economic and environmental efficiency.

Product and Service Quality

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

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

Environmental, Social and Governance Report

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

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

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

Anti-corruption

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

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

Community Investment

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

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

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

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

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

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st July, 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The activities of its principal subsidiaries and associates are investment holding, property investment and development, hotel operation, financial investment and related activities, which are set out in notes 37 and 18 to the consolidated financial statements respectively. Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement set out on pages 3 to 6 of this annual report. This discussion forms part of this Directors' Report.

In addition, discussion on the Group's environmental policy and performance, key relationships with the Group's key stakeholders as well as compliance with the relevant laws and regulations which have significant impact on the Group are set out in the Environmental, Social and Governance Report from pages 14 to 20 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.

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

RESULTS

The results of the Group for the year ended 31st July, 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32.

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 15 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties of the Group as at 31st July, 2017 are set out on page 92 of this annual report.

SHARE CAPITAL

Details of issue of shares during the year are set out in note 28 to the consolidated financial statements.

Directors' Report

SHARE OPTIONS

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

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

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st July, 2017 and 2016, the Company had no reserve available for distribution to shareholders.

DIRECTORS

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

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

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

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

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

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

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

DIRECTORS OF SUBSIDIARIES

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all loss or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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

At 31st July, 2017, the interests of the directors and the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(I) The Company

Ordinary shares of the Company

	Number of shares held				
Name of Director	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the Company
Sio Tak Hong ("Mr. Sio")	–	36,736,500	1,291,612,500 (Note 1)	1,328,349,000	34.2%
Chu Nin Yiu, Stephen ("Mr. Chu")	35,550,000	–	500,171,100 (Note 2)	535,721,100	13.8%
Lau Chi Kan, Michael	2,907,500	–	–	2,907,500	0.1%

Notes:

1. Mr. Sio was deemed to be interested in the 1,291,612,500 shares in the Company held through Fullkeen Holdings Limited ("Fullkeen"), which is in turn 70% owned by Mr. Sio.

2. Mr. Chu was deemed to be interested in the 500,171,100 shares in the Company held through Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu.

(II) Associated corporation

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

Notes:

1. Mr. Sio was deemed to be interested in the 1,270 shares in the associated corporation in which 1,100 shares were held through Global Master Management Limited, which is in turn 70% owned by Mr. Sio, and 170 shares were held through Macro Rich Limited, which is turn 41.2% owned by Global Master Management Limited.

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

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st July, 2017.

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 34 to the consolidated financial statements, there were no contracts of significance to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2017, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of the Company

	Number of shares held				
Name of shareholder	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the Company
Fullkeen	1,291,612,500	–	–	1,291,612,500	33.2%
Mr. Sio	–	36,736,500	1,291,612,500 (Note 1)	1,328,349,000	34.2%
Supervalue	500,171,100	–	–	500,171,100	12.9%
Mr. Chu	35,550,000	–	500,171,100 (Note 2)	535,721,100	13.8%

Notes:

1. Mr. Sio was deemed to be interested in the 1,291,612,500 shares in the Company held through Fullkeen, which is in turn 70% owned by Mr. Sio.

2. Mr. Chu was deemed to be interested in the 500,171,100 shares in the Company held through Supervalue, which is in turn wholly owned by Mr. Chu.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st July, 2017.

Directors' Report

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

CORPORATE GOVERNANCE

Pursuant to Appendix 23 of the Listing Rules, details of corporate governance report are set out on pages 8 to 13 of the annual report.

EMOLUMENT POLICY

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

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st July, 2017.

AUDITOR

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

On behalf of the Board

Sio Tak Hong
Chairman

24th October, 2017

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Capital Estate Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 32 to 90, which comprise the consolidated statement of financial position as at 31st July, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st July, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of properties under development ("PUD")	
We identified the valuation of PUD as a key audit matter due to the significance of the assets and significant judgement involved in estimating their net realisable value and the future development costs to complete the properties. The Group had PUD amounting to HK$480,524,000 as at 31st July, 2017 which are situated in Mainland China. As disclosed in note 4 to the consolidated financial statements, the net realisable value of the PUD is determined with reference to the estimated future selling prices to be generated by the completed properties, which are estimated with reference to the recent selling prices of similar properties in the same project or relevant locations and made deductions for the estimated development costs.	Our procedures in relation to the valuation of PUD included: • Obtaining summary of the pre-sale properties (the "Pre-sale Summary") up to the year-end date of 31st July, 2017 and checking the corresponding sales contracts, on a sample basis, for accuracy of the Pre-sale Summary; • Cross-checking the latest on-line pre-sale records from government website with the Pre-sale Summary for completeness of the Pre-Sale Summary; • Assessing reasonableness of management's estimation of the selling price of the yet-to-be-sold units by comparing the estimated selling prices to recent selling prices of similar properties in the Pre-sale Summary or relevant locations; and • Assessing reasonableness of the estimation of the development costs to complete the properties by comparing the previous estimation to the actual amount.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from hotel operations	
We identified revenue recognition as a key audit matter due to the involvement of high volume of transactions with relatively low value and the presumed fraud risk related to revenue recognition. As disclosed in note 5 to the consolidated financial statements, the Group recognised revenue amounting to HK$82,444,000 from hotel operations for the year ended 31st July, 2017.	Our procedures in relation to revenue recognition include: • Working with information technology experts to assess the design and implementation and operating effectiveness of the revenue control activities of the hotel operations within the Group; • Determining if the revenue recognition policies and methods of the hotel operations are appropriate and have been applied consistently; • Performing test of details on room revenue reports generated by the information technology system used to record room revenue; • Performing test of details on sales transactions of food and beverage revenue for the current reporting period to verify if the revenue was recognised appropriately; • Performing regression analysis of food and beverage revenue to identify unusual patterns of such revenue; and • Performing analytical review on the fluctuation of the balances of the hotel operations when compared with prior reporting period to identify any unusual transactions.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yen Sau Yin, Emily.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24th October, 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st July, 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**82,444**	88,496
Direct operating costs		**(50,233)**	(53,690)
Gross profit		**32,211**	34,806
Other gains and losses	7	**84,955**	(13,867)
Other income		**2,549**	4,007
Marketing expenses		**(4,580)**	(1,826)
Administrative expenses		**(48,899)**	(52,751)
Other hotel operating expenses		**(23,985)**	(25,326)
Loss on derecognition of properties for development	20	**–**	(60,000)
Share of profit (loss) of an associate		**12,876**	(24,446)
Finance costs	8	**(1,225)**	(1,253)
Profit (loss) before taxation		**53,902**	(140,656)
Income tax credit	9	**1,050**	1,128
Profit (loss) for the year	10	**54,952**	(139,528)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,481)**	(35,512)
Other comprehensive expense for the year		**(4,481)**	(35,512)
Total comprehensive income (expense) for the year		**50,471**	(175,040)
Profit (loss) for the year attributable to:			
Owners of the Company		**60,252**	(133,564)
Non-controlling interests		**(5,300)**	(5,964)
		54,952	(139,528)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**56,907**	(160,085)
Non-controlling interests		**(6,436)**	(14,955)
		50,471	(175,040)
Earnings (loss) per share	14		
Basic – HK cents		**1.55**	(3.61)

Consolidated Statement of Financial Position

At 31st July, 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**274,557**	297,784
Prepaid lease payments	16	**2,237**	2,344
Premium on prepaid lease payments	17	**34,273**	35,967
Interest in an associate	18	**228,179**	215,303
Available-for-sale investments	19	**63,738**	63,738
		602,984	615,136
Current assets			
Properties under development	20	**480,524**	399,701
Inventories	21	**2,038**	2,256
Trade and other receivables	22	**8,670**	19,998
Amount due from an associate	23	**4,854**	5,353
Prepaid lease payments	16	**94**	101
Prepaid income tax		**5,171**	–
Investments held for trading	24	**64,235**	42,421
Pledged bank deposit	25	**642**	642
Bank balances and cash			
– Restricted	25	**160,931**	–
– Others	25	**142,914**	73,465
		870,073	543,937
Current liabilities			
Trade and other payables	26	**37,955**	28,312
Deposits from pre-sale of properties		**252,817**	–
Amounts due to related parties	23	**282,020**	293,178
Amount due to a director	23	**50,000**	–
		622,792	321,490
Net current assets		**247,281**	222,447
Total assets less current liabilities		**850,265**	837,583
Non-current liabilities			
Amount due to a director	23	**–**	50,000
Deferred tax liabilities	27	**59,971**	61,527
		59,971	111,527
Net assets		**790,294**	726,056

Consolidated Statement of Financial Position

At 31st July, 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
Capital and reserves			
Share capital	28	**1,518,519**	1,504,752
Reserves		**(664,513)**	(721,420)
Equity attributable to owners of the Company		**854,006**	783,332
Non-controlling interests		**(63,712)**	(57,276)
Total equity		**790,294**	726,056

The consolidated financial statements on pages 32 to 90 together with the company 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 24th October, 2017 and are signed on its behalf by:

Sio Tak Hong
DIRECTOR

Chu Nin Yiu, Stephen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st July, 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000	Translation reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000 (note i)	Total HK$'000
At 1st August, 2015	1,504,752	157	23,542	170,583	31,821	60,710	(848,148)	943,417	(42,321)	901,096
Loss for the year	–	–	–	–	–	–	(133,564)	(133,564)	(5,964)	(139,528)
Exchange differences arising on translation of foreign operations	–	–	–	–	(26,521)	–	–	(26,521)	(8,991)	(35,512)
Total comprehensive expense for the year	–	–	–	–	(26,521)	–	(133,564)	(160,085)	(14,955)	(175,040)
At 31st July, 2016	1,504,752	157	23,542	170,583	5,300	60,710	(981,712)	783,332	(57,276)	726,056
Profit (loss) for the year	–	–	–	–	–	–	60,252	60,252	(5,300)	54,952
Exchange differences arising on translation of foreign operations	–	–	–	–	(3,345)	–	–	(3,345)	(1,136)	(4,481)
Total comprehensive (expense) income for the year	–	–	–	–	(3,345)	–	60,252	56,907	(6,436)	50,471
Issue of new shares	14,245	–	–	–	–	–	–	14,245	–	14,245
Transaction costs attributable to issue of new shares	(478)	–	–	–	–	–	–	(478)	–	(478)
At 31st July, 2017	1,518,519	157	23,542	170,583	1,955	60,710	(921,460)	854,006	(63,712)	790,294

Note:

(i) The revaluation reserve includes (a) a revaluation gain recognised upon the step acquisition of an associate of the Group and (b) 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.

Consolidated Statement of Cash Flows

For the year ended 31st July, 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**53,902**	(140,656)
Adjustments for:		
Interest income	**(207)**	(794)
Interest expense	**1,225**	1,253
Depreciation	**23,201**	24,557
Release of prepaid lease payments and premium on prepaid lease payments	**1,492**	1,594
Share of (profit) loss of an associate	**(12,876)**	24,446
Gain on disposal of property, plant and equipment	**(287)**	(186)
Loss on derecognition of properties for development	**–**	60,000
Operating cash flows before movements in working capital	**66,450**	(29,786)
Increase in properties under development	**(84,113)**	(105,889)
Decrease in inventories	**200**	158
Decrease (increase) in trade and other receivables	**11,299**	(14,821)
Increase in investments held for trading	**(21,814)**	(12,461)
Increase in restricted bank deposit	**(160,931)**	–
Increase in trade and other payables	**8,579**	446
Increase in deposits from pre-sale of properties	**252,817**	–
Cash generated from (used in) operations	**72,487**	(162,353)
Income tax paid	**(5,171)**	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**67,316**	(162,353)
INVESTING ACTIVITIES		
Repayment from (advance to) an associate	**455**	(143)
Proceeds on disposal of property, plant and equipment	**313**	450
Interest received	**207**	794
Purchase of property, plant and equipment	**(2,379)**	(220)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(1,404)**	881
FINANCING ACTIVITIES		
Proceeds from issue of new shares	**14,245**	–
(Repayment to) advance from related parties	**(10,113)**	36,725
Transaction costs attributable to issue of new shares	**(478)**	–
Interest paid	**–**	(24)
NET CASH FROM FINANCING ACTIVITIES	**3,654**	36,701

Consolidated Statement of Cash Flows

For the year ended 31st July, 2017

	2017 **HK$'000**	2016 HK$'000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**69,566**	(124,771)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**73,465**	201,662
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(117)**	(3,426)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	**142,914**	73,465
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**142,914**	73,465

1. GENERAL

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 17/F., MassMutual Tower, 33 Lockhart Road, Wan Chai, Hong Kong.

The Company acts as an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 37 and 18, respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKAS 40	Transfer of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]
HK(IFRIC) – INT 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – INT 23	Uncertainty over income tax treatments[2]

1 Effective for annual periods beginning on or after 1st January, 2018
2 Effective for annual periods beginning on or after 1st January, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st January, 2017
5 Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate

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

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st July, 2017, the Group has non-cancellable operating lease commitments of HK$5,711,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1st January, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not anticipate that the application of the other new and amended standards will have a material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "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".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

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

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

The principal accounting policies are set out below.

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates

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 associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, 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. When the Group's share of losses of an associate equals or 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 Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the 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.

Properties for/under development

Properties for/under development represent leasehold land and properties for/under development for future sale in the ordinary course of business. Cost comprises the costs of land use rights and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. Construction costs are capitalised and included as properties for/under development until such time when they are completed. Properties for/under development are stated at the lower of cost and net realisable value. On completion, the properties are transferred to completed properties held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Prepaid lease payments

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and amortised over the lease term on a straight-line basis.

Premium on prepaid lease payments

Premium on prepaid lease payments of leasehold land represents premium on acquisition of prepaid lease payments of land use rights as a result of acquisition of subsidiaries, which is stated at cost and amortised on the same basis as the related land use rights.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from hotel operations, which comprise room rentals, food and beverage sales and other ancillary services in the hotel, are recognised when the relevant services have been rendered.

Sales of trading securities are recognised when the related bought and sold contract notes are executed.

Revenue from sale of properties in the ordinary course of business is recognised when the development of the relevant properties have been completed and the properties have been delivered to the buyers pursuant to the sales agreements. Deposits received from sale of properties prior to meeting the criteria for revenue recognition are recorded as "deposits from pre-sale of properties" under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 the 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

On the disposal of a foreign operation (i.e. 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 disposal involving loss of significant influence over an associate that includes a foreign operation), 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.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. 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 fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of 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.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an item of trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Properties under development

An assessment of the net realisable value of the properties under development is made in each reporting period. Such assessment is made based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making the assessment, the Group's management has made estimates concerning estimated future selling prices to be generated by the completed properties with reference to the recent selling prices of similar properties in the same project or relevant locations and made deductions for the estimated development costs. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Impairment is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, recognition of a material impairment loss may result. As at 31st July, 2017, the carrying amount of properties under development is HK$480,524,000, with no impairment loss recognised (2016: HK$399,701,000, with no impairment loss recognised).

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2017 **HK$'000**	2016 HK$'000
Hotel operations	**82,444**	88,496

6. 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 and properties for/under development

Information regarding these segments is reported below.

Segment revenue and results

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

For the year ended 31st July, 2017

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consolidated HK$'000
GROSS PROCEEDS	**82,444**	**42,493**	**–**	**124,937**
SEGMENT REVENUE	**82,444**	**–**	**–**	**82,444**
SEGMENT (LOSS) PROFIT	**(20,535)**	**(5,314)**	**89,982**	**64,133**
Unallocated income				**6**
Unallocated expenses				**(21,888)**
Share of profit of an associate				**12,876**
Finance costs				**(1,225)**
Profit before taxation				**53,902**

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31st July, 2016

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Consolidated HK$'000
GROSS PROCEEDS	88,496	128,727	–	217,223
SEGMENT REVENUE	88,496	–	–	88,496
SEGMENT LOSS	(20,889)	(13,334)	(60,049)	(94,272)
Unallocated expenses				(20,685)
Share of loss of an associate				(24,446)
Finance costs				(1,253)
Loss before taxation				(140,656)

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of central administration costs, directors' salaries, share of profit/loss of an associate and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31st July, 2017

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**337,076**	**64,235**	**646,648**	**–**	**1,047,959**
Interest in an associate				**228,179**	**228,179**
Unallocated assets				**196,919**	**196,919**
Consolidated total assets					**1,473,057**
LIABILITIES					
Segment liabilities	**85,410**	**188**	**252,817**	**–**	**338,415**
Unallocated liabilities	**–**	**–**	**–**	**344,348**	**344,348**
Consolidated total liabilities					**682,763**

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31st July, 2016

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	359,397	52,837	399,817	–	812,051
Interest in an associate	–	–	–	215,303	215,303
Unallocated assets	–	–	–	131,719	131,719
Consolidated total assets					1,159,073
LIABILITIES					
Segment liabilities	78,208	89	76	–	78,373
Unallocated liabilities	–	–	–	354,644	354,644
Consolidated total liabilities					433,017

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, available-for-sale investments, certain property, plant and equipment, amount due from an associate, certain other receivables, deposits and prepayments of the corporate offices, pledged bank deposit and certain bank balances and cash; and

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

6. SEGMENT INFORMATION *(Continued)*

Other information

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

For the year ended 31st July, 2017

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets (note)	**834**	**–**	**–**	**834**	**1,545**	**2,379**
Depreciation	**22,493**	**–**	**–**	**22,493**	**708**	**23,201**
Release of prepaid lease payments and premium on prepaid lease payments	**1,492**	**–**	**–**	**1,492**	**–**	**1,492**
Decrease in fair value of investments held for trading	**–**	**(6,378)**	**–**	**(6,378)**	**–**	**(6,378)**
Gain on disposal of property, plant and equipment	**27**	**–**	**–**	**27**	**260**	**287**
Interest income	**131**	**74**	**–**	**205**	**2**	**207**

For the year ended 31st July, 2016

	Hotel operations HK$'000	Financial investment HK$'000	Property HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets (note)	220	–	–	220	–	220
Depreciation	23,732	–	–	23,732	825	24,557
Release of prepaid lease payments and premium on prepaid lease payments	1,594	–	–	1,594	–	1,594
Decrease in fair value of investments held for trading	–	(13,888)	–	(13,888)	–	(13,888)
(Loss) gain on disposal of property, plant and equipment	(3)	–	–	(3)	189	186
Interest income	69	725	–	794	–	794

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

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**1,740**	306
Macau	**–**	–	**228,179**	215,303
Mainland China	**82,444**	88,496	**309,327**	335,789
	82,444	88,496	**539,246**	551,398

Non-current assets excluded financial instruments but included interest in an associate.

Information about major customers

No revenue from customers contributed over 10% of the total sales of the Group for any of the two years ended 31st July, 2017.

Revenue by services and investments

	2017	2016
	HK$'000	HK$'000
Room rentals	**38,638**	41,854
Food and beverage sales	**43,286**	44,580
Rendering of ancillary services	**520**	2,062
	82,444	88,496

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Decrease in fair value of investments held for trading	**(6,378)**	(13,888)
Dividend income from investments held for trading	**1,333**	21
Settlement consideration (note)	**90,000**	–
	84,955	(13,867)

Note:

The Group had a property development project in Macau (the "Macau properties") which has been recorded as property for development. The Group has submitted application and development plan to the relevant Macau government authorities since 2007 and continued to liaise with the government authorities in relation to obtaining approval. The Group did not commence construction activities of the Macau Properties pending government approval on the revised development plan.

On 5th August, 2016, the Company, through Sun Fat Investment and Industry Company Limited ("Sun Fat"), an indirect 99% owned subsidiary of the Company, received a written notification dated 1st August, 2016 from the Land, Public Works and Transport Bureau of Macau (the "Notification") informing that, among others, (i) the Chief Executive of Macau has, based on the opinion of the Secretary for Transport and Public Works Land, instructed that as the validity period of the land grant in respect of the parcel of land regarding the Macau Properties (the "Macau Land") has expired, such land grant has become invalid (the "Instruction"); (ii) as a result of the land grant of the Macau Land becoming invalid, any form of improvements on the Macau Land shall be returned to the government of Macau with no responsibility or burden and Sun Fat shall not be entitled to any compensation; (iii) Sun Fat may, within 30 days of the Notification, lodge a judicial appeal with the Court of Second Instance of Macau in respect of the Instruction; and (iv) Sun Fat may, within 15 days of the Notification, raise a statement of objection with the Chief Executive of Macau. Sun Fat lodged a judicial appeal in September 2016.

Based on the register of the Properties Registration Bureau of Macau which is publicly available, Sun Fat's title on the Macau Land was deregistered on 28th July, 2016 pursuant to a decree published in the Gazette of Macau dated 27th July, 2016. Accordingly, the Group derecognised the Macau Properties with a carrying amount of HK$60,000,000, comprising cost incurred less cumulative impairment loss of HK$241,233,000, which was recognised in profit or loss during the year ended 31st July, 2016.

On 26th August, 2016, the Group, through two wholly owned subsidiaries, entered into deeds of settlement with Kong Kei Construction Limited ("Kong Kei"), vendor of 99% equity interest of Sun Fat, and a warrantor to Kong Kei (the "Warrantor"). Pursuant to the deeds of settlement, as the Group could not obtain approval from the relevant Macau government authorities in respect of the amendment of the land lease concession of the Macau Land and in light of the Notification, Kong Kei and the Warrantor agreed to repay to the Group an aggregate sum of approximately HK$298.0 million (the "Settlement Sum") which was the actual amount paid by the Group to Kong Kei for the acquisition of 99% equity interest of Sun Fat.

7. OTHER GAINS AND LOSSES *(Continued)*

Note: *(Continued)*

Payment schedule of the Settlement Sum is as follows:

	HK$'000
On or before	
31st December, 2016	60,000
31st December, 2017	120,000
31st December, 2018	118,004
	298,004

Up to 31st July, 2017, the Group received HK$90.0 million from Kong Kei, which is recognised in profit or loss in the current year.

Further details of the above are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016 and 26th August, 2016.

8. FINANCE COSTS

	2017 **HK$'000**	2016 HK$'000
Interest on:		
Amount due to a director	**1,225**	1,229
Bank and other borrowings	**–**	24
	1,225	1,253

9. INCOME TAX CREDIT

	2017 **HK$'000**	2016 HK$'000
Tax credit comprises:		
Deferred taxation (note 27)	**(1,050)**	(1,128)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for 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 People's Republic of China ("PRC") is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

9. INCOME TAX CREDIT *(Continued)*

Tax 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:

	2017 HK$'000	2016 HK$'000
Profit (loss) before taxation	**53,902**	(140,656)
Tax charge (credit) at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**8,894**	(23,208)
Tax effect of share of results of associates	**(2,125)**	4,034
Tax effect of expenses not deductible for tax purpose	**1,423**	10,188
Tax effect of income not taxable for tax purpose	**(16,205)**	(1,017)
Tax effect of tax losses not recognised	**9,529**	11,105
Tax effect of utilisation of tax losses previously not recognised	**(799)**	(702)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,767)**	(1,528)
Tax credit for the year	**(1,050)**	(1,128)

Details of deferred taxation are set out in note 27.

10. PROFIT (LOSS) FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 11)	**6,348**	7,804
Other staff costs		
– Salaries and other benefits	**32,955**	36,038
– Retirement benefit scheme contributions	**2,656**	2,297
Total employee benefit expenses	**41,959**	46,139
Auditor's remuneration	**2,020**	1,900
Cost of inventories recognised as an expense	**21,044**	21,390
Depreciation included in:		
– other hotel operating expenses	**22,493**	23,732
– administrative expenses	**708**	825
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	**1,492**	1,594
Net foreign exchange loss (gain)	**73**	(713)
Bank and other interest income	**(207)**	(794)
Gain on disposal of property, plant and equipment	**(287)**	(186)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2016: seven) directors, including the Chief Executive of the Company, are as follows:

2017

	Executive directors				Independent non-executive directors			
	Mr. Sio Tak Hong ("Mr. Sio") HK$'000	Mr. Chu Nin Yiu, Stephen HK$'000 (note)	Mr. Chu Nin Wai, David HK$'000	Mr. Lau Chi Kan, Michael HK$'000	Mr. Leung Kam Fai HK$'000	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000	Total HK$'000
Fees	**1,800**	**–**	**–**	**–**	**200**	**200**	**200**	**2,400**
Other emoluments								
– Salaries and other benefits	**–**	**3,942**	**–**	**–**	**–**	**–**	**–**	**3,942**
– Retirement benefit scheme contributions	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**6**
	1,800	**3,948**	**–**	**–**	**200**	**200**	**200**	**6,348**

2016

	Executive directors				Independent non-executive directors			
	Mr. Sio Tak Hong ("Mr. Sio") HK$'000	Mr. Chu Nin Yiu, Stephen HK$'000 (note)	Mr. Chu Nin Wai, David HK$'000	Mr. Lau Chi Kan, Michael HK$'000	Mr. Leung Kam Fai HK$'000	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000	Total HK$'000
Fees	–	–	–	–	200	200	200	600
Other emoluments								
– Salaries and other benefits	–	7,186	–	–	–	–	–	7,186
– Retirement benefit scheme contributions	–	18	–	–	–	–	–	18
	–	7,204	–	–	200	200	200	7,804

Note: Salaries and other benefits of Mr. Chu Nin Yiu, Stephen included rentals of HK$3,280,000 (2016: HK$3,936,000) borne by the Group in respect of accommodation provided to him rent-free.

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

During the years ended 31st July, 2017 and 2016, no directors waived any emoluments.

12. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, two (2016: one) were directors of the Company whose emoluments were included in note 11 above. The emoluments of the remaining three (2016: four) employees were as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**1,689**	2,186
Retirement benefit scheme contributions	**48**	51
	1,737	2,237

Their emoluments were within the following bands:

	2017 No. of employees	2016 No. of employees
Nil to HK$1,000,000	**3**	4

During the year ended 31st July, 2017, 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 (2016: nil).

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31st July, 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

14. 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:

	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to owners of the Company for the purposes of basic earnings (loss) per share	**60,252**	(133,564)

	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**3,878,641,604**	3,701,751,193

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

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st August, 2015	365,674	3,167	115,039	41,258	9,490	534,628
Additions	–	–	3	214	3	220
Disposals	–	–	(73)	(2,851)	(1,045)	(3,969)
Currency realignment	(21,812)	(195)	(6,987)	(2,496)	(199)	(31,689)
At 31st July, 2016	343,862	2,972	107,982	36,125	8,249	499,190
Additions	–	–	47	268	2,064	2,379
Disposals	–	–	(16)	(57)	(3,328)	(3,401)
Currency realignment	(2,740)	(24)	(878)	(293)	(25)	(3,960)
At 31st July, 2017	341,122	2,948	107,135	36,043	6,960	494,208
DEPRECIATION						
At 1st August, 2015	62,876	691	89,405	31,535	6,634	191,141
Provided for the year	10,895	103	10,249	2,197	1,113	24,557
Eliminated on disposals	–	–	(73)	(2,240)	(784)	(3,097)
Currency realignment	(3,731)	(42)	(5,411)	(1,907)	(104)	(11,195)
At 31st July, 2016	70,040	752	94,170	29,585	6,859	201,406
Provided for the year	10,180	102	10,168	1,708	1,043	23,201
Eliminated on disposals	–	–	(10)	(37)	(3,328)	(3,375)
Currency realignment	(556)	(6)	(764)	(239)	(16)	(1,581)
At 31st July, 2017	79,664	848	103,564	31,017	4,558	219,651
CARRYING VALUES						
At 31st July, 2017	261,458	2,100	3,571	5,026	2,402	274,557
At 31st July, 2016	273,822	2,220	13,812	6,540	1,390	297,784

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

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

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2017 **HK$'000**	2016 HK$'000
Leasehold land in Mainland China	**2,331**	2,445
Analysed for reporting purposes as:		
Non-current assets	**2,237**	2,344
Current assets	**94**	101
	2,331	2,445

17. PREMIUM ON PREPAID LEASE PAYMENTS

The premium on prepaid lease payments represents the fair value adjustment on the prepaid lease payments of the subsidiaries acquired during the year ended 31st July, 2009 and are amortised over the period of the remaining lease term of 30 to 33$^{1}/_{2}$ years on a straight-line basis.

Movement of the premium on prepaid lease payments is set out below:

	HK$'000
COST	
At 1st August, 2015	49,865
Currency realignment	(3,066)
At 31st July, 2016	46,799
Currency realignment	(385)
At 31st July, 2017	46,414
AMORTISATION	
At 1st August, 2015	9,951
Charge for the year	1,493
Currency realignment	(612)
At 31st July, 2016	10,832
Charge for the year	1,398
Currency realignment	(89)
At 31st July, 2017	12,141
CARRYING VALUES	
At 31st July, 2017	34,273
At 31st July, 2016	35,967

18. INTEREST IN AN ASSOCIATE

	2017 HK$'000	2016 HK$'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	**(1,276)**	(14,152)
	228,179	215,303

At 31st July, 2017 and 2016, the Group had interest in the following associate:

Name of entity	Place of incorporation/ principal place of operation	Proportion of quoted capital held by the Group 2017	2016	Principal activities
Tin Fok Holding Company Limited ("Tin Fok") (note)	Macau	**32.5%**	32.5%	Hotel operations and property investment

Note: Tin Fok is controlled by Mr. Sio, a director and a substantial shareholder of the Company with significant influence over the Company.

Included in the cost of investment in an associate is goodwill of HK$2,362,000 (2016: HK$2,362,000) arising on acquisition of Tin Fok.

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

	2017 HK$'000	2016 HK$'000
Current assets	**628,135**	767,523
Non-current assets	**1,168,826**	1,240,484
Current liabilities	**(401,804)**	(846,710)
Non-current liabilities	**(714,244)**	(522,577)
Non-controlling interests	**13,909**	16,483
Net assets attributable to owners of Tin Fok	**694,822**	655,203
Revenue	**227,995**	201,848
Profit (loss) and total comprehensive income (expense) for the year	**39,620**	(75,219)
Group's share of profit (loss) of an associate	**12,876**	(24,446)

18. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2017 **HK$'000**	2016 HK$'000
Net assets attributable to owners of Tin Fok	**694,822**	655,203
Proportion of the Group's ownership interest in Tin Fok	**32.5%**	32.5%
	225,817	212,941
Goodwill	**2,362**	2,362
Carrying amount of the Group's interest in Tin Fok	**228,179**	215,303

19. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
Unlisted equity securities, at cost	**73,778**	73,778
Impairment loss recognised	**(10,040)**	(10,040)
	63,738	63,738

The available-for-sale investments represent investments in unlisted equity securities issued by private entities incorporated and operate in the United States of America and Macau involved in property investment. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Mr. Sio is a director of, and has significant influence in, one of the above private entity investees incorporated in Macau with a carrying amount of HK$50,098,000 (2016: HK$50,098,000).

The available-for-sale investments that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2017 **HK$'000**	2016 HK$'000
United States dollars ("USD")	**13,640**	13,640

20. PROPERTIES UNDER DEVELOPMENT

Movement of the properties for/under development is set out below:

	HK$'000
At 1st August, 2015 – properties for/under development	373,061
Additions	105,889
Derecognition	(301,233)
Reversal of impairment loss upon derecognition	241,233
Currency realignment	(19,249)
At 31st July, 2016 – properties under development	399,701
Additions	84,113
Currency realignment	(3,290)
At 31st July, 2017 – properties under development	480,524

The properties under development are located on land in Mainland China:

In October 2013, the Group obtained approvals from the relevant authorities in Mainland China for the construction of new residential buildings for sale and the construction activities started. During the year ended 31st July, 2017, additions of properties under development in Mainland China amounted to HK$84,113,000 (2016: HK$105,889,000).

At 31st July, 2017, the properties under development are expected to be completed and available for sale to customers within twelve months from the end of the reporting period (2016: more than twelve months from the end of the reporting period).

21. INVENTORIES

The inventories at 31st July, 2017 and 2016 represent food and beverage for hotel business.

22. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers of hotel business. An aged analysis of trade receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
Trade receivables:		
0 to 30 days	**3,337**	2,055
31 to 60 days	**114**	63
61 to 90 days	**6**	33
91 days or above	**135**	329
	3,592	2,480
Prepayments and deposits	**2,194**	2,379
Receivables from securities brokers	**–**	10,416
Other receivables	**2,884**	4,723
	8,670	19,998

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

23. AMOUNT DUE FROM AN ASSOCIATE/AMOUNTS DUE TO RELATED PARTIES/ AMOUNT DUE TO A DIRECTOR

(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.

23. AMOUNT DUE FROM AN ASSOCIATE/AMOUNTS DUE TO RELATED PARTIES/ AMOUNT DUE TO A DIRECTOR *(Continued)*

(b) Amounts due to related parties

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

	Notes	2017 HK$'000	2016 HK$'000
Gao Wang Investments Limited ("Gao Wang")	(i)	**83,175**	83,175
Gold Champion Investments Limited ("Gold Champion")	(ii)	**83,175**	83,175
Mr. Si Tit Sang	(iii)	**114,190**	126,828
Mr. Tang Fung	(ii)	**500**	–
五邑蒲葵高爾夫球場娛樂有限公司 ("Wuyi Pukui")	(iv)	**980**	–
		282,020	293,178

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 (HK) and 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).

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

(iv) Wuyi Pukui is controlled by Mr. Sio, a director and a substantial shareholder of the Company with significant influence over the Company.

(c) Amount due to a director

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Non-current liabilities	**–**	50,000
Current liabilities	**50,000**	–
	50,000	50,000

The balance at the end of the reporting period is unsecured, interest-bearing at Hong Kong Dollars Prime Rate minus 2.8% per annum and repayable by 9th February, 2018.

24. INVESTMENTS HELD FOR TRADING

	2017 HK$'000	2016 HK$'000
Listed equity securities in Hong Kong	**64,235**	39,972
Listed overseas bonds with fixed interest of 9.375% per annum and maturity date not more than five years from the end of the reporting period	–	2,449
	64,235	42,421

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.

The investments held for trading that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017 HK$'000	2016 HK$'000
USD	–	2,449

25. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

The pledged bank deposit represents deposit pledged to a bank to secure short-term banking facilities granted to the Group. The deposit carries fixed interest rate of 0.01% (2016: 0.01%) per annum. The pledged bank deposit will be released upon the release of the relevant banking facilities.

The restricted bank balance comprises proceeds received from pre-sale of properties of the Group's property project in Mainland China which are deposited into the designated bank account of the Group according to the relevant requirements of the Mainland China local government, net of approved payment for the property project.

The other bank balances and cash comprise other 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, including the restricted bank balance, carry interest at rates ranging from nil to 0.01% (2016: nil to 0.01%) per annum.

25. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH *(Continued)*

The bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017 HK$'000	2016 HK$'000
USD	**7,751**	21,421

26. 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:

	2017 HK$'000	2016 HK$'000
Trade payables:		
0 to 30 days	**2,397**	2,589
31 to 60 days	**1,246**	2,177
61 to 90 days	**926**	500
91 days or above	**330**	82
	4,899	5,348
Accruals	**4,170**	3,707
Interest payable to a director (see note 23(c))	**3,031**	1,806
Other payables	**25,855**	17,451
	37,955	28,312

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years.

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Fair value adjustments HK$'000 (note)	Total HK$'000
At 1st August, 2015	20	(20)	66,760	66,760
Currency realignment	–	–	(4,105)	(4,105)
(Credit) charge to profit or loss	(20)	20	(1,128)	(1,128)
At 31st July, 2016	–	–	61,527	61,527
Currency realignment	–	–	(506)	(506)
Credit to profit or loss	–	–	(1,050)	(1,050)
At 31st July, 2017	–	–	59,971	59,971

Note: The fair value adjustments represented the fair value changes on property, plant and equipment and prepaid lease payments arising from the acquisition of subsidiaries.

At 31st July, 2017, the Group has unused tax losses of HK$428,721,000 (2016: HK$497,847,000) available to offset against future profits. No deferred tax assets have been recognised in respect of such tax losses due to unpredictability of future profit streams. Unrecognised tax loss of HK$160,008,000 will expire by year 2021 (2016: HK$250,441,000 by year 2020), and the remaining tax losses amounting to HK$268,713,000 (2016: HK$247,406,000) may be carried forward indefinitely.

28. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1st August, 2015 and 31st July, 2016	3,701,751,193	1,504,752
Issue of new shares, net of transaction costs	185,000,000	13,767
At 31st July, 2017	3,886,751,193	1,518,519

28. SHARE CAPITAL *(Continued)*

On 17th August, 2016, the Company allotted and issued 185,000,000 new shares under a placing arrangement at a placing price of HK$0.077 per placing share pursuant to the placing agreement dated 4th August, 2016 entered into with an independent placing agent not connected with the Company. The new placing shares were allotted and issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 4th December, 2015. The new placing shares were placed through the placing agent to not less than six independent placees not connected with the Company. The Company raised HK$13,767,000 (net of expenses) with the intention at the time of placing to use as general working capital of the Group. Further details of the placing are set out in the Company's announcements dated 4th August, 2016 and 17th August, 2016.

New shares issued during the year ended 31st July, 2017 rank pari passu with the existing shares in all respects.

29. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

30. PLEDGE OF ASSETS

Bank deposit of HK$642,000 (2016: HK$642,000) was pledged to banks to secure credit facilities to the extent of HK$600,000 (2016: HK$600,000) granted to the Group, of which HK$7,000 (2016: HK$56,000) was utilised by the Group.

31. RETIREMENT BENEFIT SCHEMES

Prior to 1st December, 2000, the Group operated defined contribution retirement benefit schemes ("Defined Contribution Schemes") for its qualifying employees in Hong Kong. The assets of the Defined Contribution Schemes were held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the Defined Contribution Schemes prior to vesting fully in the contributions, the amount of the forfeited contributions shall be used to reduce future contributions payable by the Group. Since the Defined Contribution Schemes were terminated on 1st December, 2000, forfeited contributions in respect of unvested benefits of employees leaving the Group under the Defined Contribution Schemes cannot be used to reduce ongoing contributions. The Group did not have forfeited contributions for both years.

Effective on 1st December, 2000, the Group has joined the MPF Scheme for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

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

The retirement benefit scheme contributions arising from the MPF Scheme and the PRC state-managed retirement benefit schemes recognised in profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes. During the year ended 31st July, 2017, contributions of the Group under the MPF Scheme and the PRC state-managed retirement benefit schemes amounted to HK$2,662,000 (2016: HK$2,315,000).

32. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases for premises during the year was HK$2,750,000 (2016: HK$3,090,000). In addition, the Group paid rentals of HK$3,280,000 (2016: HK$3,936,000) during the year in respect of accommodation provided to a director, details of which are included in directors' emoluments (see note 11).

32. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**5,567**	8,681
In the second to fifth year inclusive	**144**	3,832
	5,711	12,513

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated and rentals are fixed for an average term of two to five years (2016: two to five years).

33. COMMITMENTS

	2017 **HK$'000**	2016 HK$'000
Contracted for but not provided in the consolidated financial statements in respect of – Properties under development	**70,034**	121,685

34. RELATED PARTY DISCLOSURES

(a) Related party balances and transactions

During the year, the Group had the following transaction with a related party:

	2017 **HK$'000**	2016 HK$'000
Interest expense on amount due to a director	**1,225**	1,229

Details of the Group's outstanding balances with related parties are set out in the consolidated statement of financial position and in notes 23 and 26.

34. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel

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

	2017 **HK$'000**	2016 HK$'000
Short-term benefits	**6,342**	7,786
Post-employment benefits	**6**	18
	6,348	7,804

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

35. 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 amount due to a director disclosed in note 23(c), 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.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
FVTPL held for trading	**64,235**	42,421
Loans and receivables (including cash and cash equivalents)	**315,817**	97,079
Available-for-sale financial assets	**63,738**	63,738
Financial liabilities		
Amortised cost	**365,805**	367,783

(b) Financial risks management objectives and policies

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

Market risk

(i) Currency risk

The Group has foreign currency assets, including available-for-sale investments, investments held for trading 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:

	2017 HK$'000	2016 HK$'000
USD	**21,391**	44,920

36. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

(ii) Interest rate risk

The Group's bank balances and amount due to a director carry interest at variable rates and 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. In relation to the amount due to a director, the management continuously monitors the interest rate fluctuation and may consider to repay the amount partially or in full, if necessary.

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Dollars Prime Rate arising from the amount due to a director denominated in HKD.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for amount due to a director. The analysis was prepared assuming the balance outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31st July, 2017 would decrease or increase by HK$250,000 (2016: loss for the year would increase or decrease HK$250,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

36. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk arising from investments held for trading and available-for-sale investments (which are stated at cost less impairment as their fair values cannot be estimated reliably). Management manages this exposure by maintaining a portfolio of investments with different risks.

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

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 investments held for trading had been 5% higher/lower, the Group's profit before taxation would increase/decrease by HK$3,212,000 (2016: Loss before taxation would decrease/increase by HK$2,121,000) as a result of the changes in fair value of investments held for trading.

Credit risk

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.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk of the Group on liquid funds is limited because the counterparties are banks with high credit-ratings.

36. 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 management monitors the utilisation of borrowings and ensures compliance with loan covenants.

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. The tables include both interest and principal cash flows. To the extent that interest is at floating rate, the undiscounted amount is based on the interest rate at the end of the reporting period.

Liquidity tables

	Contractual interest rate %	Repayable on demand/ less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.7.2017 HK$'000
2017							
Non-derivative financial liabilities							
Trade and other payables	–	33,785	–	–	–	33,785	33,785
Amounts due to related parties	–	282,020	–	–	–	282,020	282,020
Amount due to a director	2.45	–	–	50,648	–	50,648	50,000
		315,805	–	50,648	–	366,453	365,805

	Contractual interest rate %	Repayable on demand/ less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.7.2016 HK$'000
2016							
Non-derivative financial liabilities							
Trade and other payables	–	24,605	–	–	–	24,605	24,605
Amounts due to related parties	–	293,178	–	–	–	293,178	293,178
Amount due to a director	2.45	–	–	1,225	50,648	51,873	50,000
		317,783	–	1,225	50,648	369,656	367,783

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

36. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

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

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

Financial assets	Fair value at 31st July, 2017 HK$'000	2016 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Listed equity securities	**64,235**	39,972	Level 1	Quoted bid prices in active market
Listed debt securities	**–**	2,449	Level 1	Quoted bid prices in active market
	64,235	42,421		

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

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

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

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st July, 2017 and 2016 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		
			2017 %	2016 %	2017 %	2016 %	
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 corporate treasury 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")	PRC	US$63,920,000	–	–	75	75	Hotel operations and property development

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.

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

Principal activities	Principal place of business	Number of subsidiaries 2017	2016
Investment holding	BVI	6	6
	Hong Kong	1	1
Inactive	BVI	1	1
	Hong Kong	3	3
	Macau	1	1
	PRC	1	1
		13	13

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Losses allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
				HK$'000	HK$'000	**HK$'000**	HK$'000
Hotel Fortuna Group (note)	Hong Kong	**25%**	25%	**(5,178)**	(5,247)	**(62,386)**	(56,072)
Individually immaterial subsidiaries with non-controlling interests						**(1,326)**	(1,204)
						(63,712)	(57,276)

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 has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

Hotel Fortuna Group

	2017	2016
	HK$'000	HK$'000
Current assets	**678,950**	428,983
Non-current assets	**309,607**	335,468
Current liabilities	**(1,178,130)**	(877,212)
Non-current liabilities	**(59,971)**	(111,527)
Equity attributable to owners of the Company	**(187,158)**	(168,216)
Non-controlling interests	**(62,386)**	(56,072)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Hotel Fortuna Group *(Continued)*

	For the year ended 31st July,	
	2017	2016
	HK$'000	HK$'000
Revenue	**82,444**	88,496
Loss attributable to owners of the Company	**(15,534)**	(15,743)
Loss attributable to non-controlling interests	**(5,178)**	(5,247)
Loss for the year	**(20,712)**	(20,990)
Other comprehensive expense attributable to owners of the Company	**(3,408)**	(26,972)
Other comprehensive expense attributable to non-controlling interests	**(1,136)**	(8,991)
Other comprehensive expense for the year	**(4,544)**	(35,963)
Total comprehensive expense attributable to owners of the Company	**(18,942)**	(42,715)
Total comprehensive expense attributable to non-controlling interests	**(6,314)**	(14,238)
Total comprehensive expense for the year	**(25,256)**	(56,953)
Net cash outflow from (used in) operating activities	**14,421**	(105,931)
Net cash outflow used in investing activities	**(195)**	(294)
Net cash inflow (used in) from financing activities	**(9,613)**	68,300
Net cash inflow (outflow)	**4,613**	(37,925)

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries	**10**	10
Amounts due from subsidiaries	**1,000,499**	1,005,793
	1,000,509	1,005,803
Current assets		
Deposit	**991**	991
Investments held for trading	**64,235**	–
Bank balances	**65,170**	23,935
	130,396	24,926
Current liabilities		
Other payables	**1,881**	1,626
Amounts due to subsidiaries	**269,345**	241,928
	271,226	243,554
Net current liabilities	**(140,830)**	(218,628)
Net assets	**859,679**	787,175
Capital and reserves		
Share capital	**1,518,519**	1,504,752
Reserves (note)	**(658,840)**	(717,577)
Total equity	**859,679**	787,175

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

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

	Capital reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st August, 2015	2,127	23,542	170,583	(764,302)	(568,050)
Loss and total comprehensive expense for the year	–	–	–	(149,527)	(149,527)
At 31st July, 2016	2,127	23,542	170,583	(913,829)	(717,577)
Profit and total comprehensive income for the year	–	–	–	58,737	58,737
At 31st July, 2017	2,127	23,542	170,583	(855,092)	(658,840)

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

RESULTS

	Year ended 31st July,				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**82,444**	88,496	115,720	133,284	140,762
(Loss) gain on financial investments	**(5,045)**	(13,867)	7,593	921	3,644
	77,399	74,629	123,313	134,205	144,406
Profit (loss) before taxation	**53,902**	(140,656)	(59,387)	(90,090)	(166,849)
Income tax credit	**1,050**	1,128	1,165	26,813	1,567
Profit (loss) for the year	**54,952**	(139,528)	(58,222)	(63,277)	(165,282)
Attributable to:					
Owners of the Company	**60,252**	(133,564)	(52,558)	(55,521)	(161,927)
Non-controlling interests	**(5,300)**	(5,964)	(5,664)	(7,756)	(3,355)
	54,952	(139,528)	(58,222)	(63,277)	(165,282)

ASSETS AND LIABILITIES

	At 31st July,				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,473,057**	1,159,073	1,310,358	1,103,688	1,202,703
Total liabilities	**(682,763)**	(433,017)	(409,262)	(373,102)	(404,612)
	790,294	726,056	901,096	730,586	798,091
Equity attributable to owners of the Company	**854,006**	783,332	943,417	766,079	824,760
Non-controlling interests	**(63,712)**	(57,276)	(42,321)	(35,493)	(26,669)
	790,294	726,056	901,096	730,586	798,091

Major Properties

Particulars of major properties held by the Group at 31st July, 2017 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 under development:

Location	Use	Stage of completion	Expected 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	Superstructure was topped out in July 2017	December 2017	132,914	75%