



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)
Stock Code: 193



Annual Report
2016

Content

	<i>PAGE(S)</i>
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
DIRECTORS' PROFILES	7
CORPORATE GOVERNANCE REPORT	8
DIRECTORS' REPORT	13
INDEPENDENT AUDITOR'S REPORT	20
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	22
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	23
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	25
CONSOLIDATED STATEMENT OF CASH FLOWS	26
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	28
FINANCIAL SUMMARY	83
MAJOR PROPERTIES	84

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
Asia Orient Tower, Town Place
33 Lockhart Road
Wan Chai, Hong Kong

STOCK CODE

193

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Capital Estate Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st July, 2016.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$217.2 million for the year ended 31st July, 2016 (2015: HK\$204.7 million), which comprised gross proceeds from hotel operations of HK\$88.5 million (2015: HK\$115.7 million) and income from sales of securities and other business segments totaling HK\$128.7 million (2015: HK\$89.0 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2016 was HK\$133.6 million, as compared to HK\$52.6 million for last year. The loss for the year was mainly attributable to loss on derecognition of properties for development in Macau amounting to HK\$60 million (2015: Nil) and decrease in fair value of investments held for trading amounting to HK\$13.9 million (2015: increase in fair value of HK\$6.9 million).

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2016, the Group had cash of HK\$74.1 million (2015: HK\$202.3 million) mainly in Hong Kong dollars and marketable securities totalling HK\$42.4 million (2015: HK\$30.0 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2016 (2015: Nil).

On 14th May, 2015, the Company announced a proposed rights issue on the basis of one rights share for every two shares in issue at a subscription price of HK\$0.15 per share. The rights issue was completed on 2nd July, 2015 and the issued share capital of the Company was increased to 3,701,751,193 shares.

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 55.3% at 31st July, 2016 (2015: 43.4%).

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, 2016, the principal activities of the Group are property development, hotel operation, financial investment and related activities.

Property investment and development

Foshan, the PRC

The construction work of the residential project alongside Hotel Fortuna, Foshan is progressing well and superstructure construction has been topped out. The high-rise residential complex with a total gross floor area of approximately 86,000 square meters will fully utilize the undeveloped permissible plot ratio counted gross floor area of Hotel Fortuna, Foshan. Sales and marketing activities are to be launched in the foreseeable future when pre-sales consent is granted. The project is expected to contribute significant revenue to the Group in the years ahead.

Nam Van Lake, Macau

The Group holds 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. The Group is awaiting approval of the development plan from the Macau government.

Coloane, Macau

The Group owned the vacant land of approximately 9,553 square meters located in Coloane, Macau for residential development ("Land") through a 99% owned subsidiary Sun Fat Investment and Industry Company Limited ("Sun Fat"). Sun Fat first submitted an application to the government authorities for approving the amendment of the land lease concession of the Land ("Approval") in May 2007, followed by a construction plan submitted in November 2007. Sun Fat continued to liaise with the government authorities and submit revised development plans in 2012 and 2013 revising the plan from developing semi-detached houses with a total gross floor area of approximately 16,700 square meters to a low density development of six luxury villas with a total gross floor area of approximately 4,400 square meters in the hope of obtaining the Approval for early commencement of the residential project. However, the Approval has not been obtained.

On 5th August, 2016, the Group received a written notification from the Land, Public Works and Transport Bureau of Macau (土地工務運輸局) addressed to Sun Fat informing among others, that the validity period of the land grant in respect of the Land has expired and as a result the land grant become invalid and the Land shall be returned to the Macau government without compensation. In view of the above, a loss of HK\$60 million has been recognised in the year under review being loss on derecognition of the Land.

Chairman's Statement

The Land is included by the Macau government in a published list in which non-development of those land is not attributable to the concessionaires. The Directors are disappointed with the above notification and consider that the Group has valid grounds to challenge the legitimacy of the Macau government reclaiming the Land without compensation. The Group has lodged a judicial appeal with the court of Macau and continues to seek legal advices as to the possible steps that can be taken under the circumstances.

Under the agreements in relation to the Group's acquisitions of a total of 99% interest in Sun Fat in June and November 2007, the vendor has to return to the Group the full amounts that it has received (without interest) in cash in the event that the Approval is not obtained before a specified long stop date or if it has become impossible for Sun Fat to obtain the Approval for whatever reason. As the Macau government now reclaims the Land held by Sun Fat, the Group has on 26th August, 2016 entered into deeds of settlement with the vendor of Sun Fat and a warrantor that they will repay to the Group a total of approximately HK\$298.0 million by instalments. As set out in the announcement of the Company dated 26th August, 2016, the Group will receive instalments of HK\$60.0 million, HK\$120.0 million and approximately HK\$118.0 million on or before 31st December, 2016, 2017 and 2018 respectively in accordance with the agreed repayment schedule. Up to the date of this report, HK\$20.0 million has been received from the vendor.

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, 2015, the hotel had a stable occupancy rate of approximately 54.7% and a turnover of approximately HK\$102.3 million in 2015 compared to HK\$124.7 million in 2014. 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\$214.2 million in 2015 compared to HK\$259.6 million in 2014.

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, 2016, the Group had approximately 420 employees of which approximately 400 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2016 amounted to approximately HK\$46.1 million (2015: HK\$59.4 million).

Chairman's Statement

PROSPECTS

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 placing has further strengthened the financial position of the Group and broadened its capital base. The net proceeds of approximately HK\$13.8 million successfully raised will contribute to the general working capital of the Group.

As discussed in the foregoing paragraphs, the expected sales contribution from the Foshan residential project in the foreseeable future, which together with the agreed repayment from the vendor of Sun Fat will further enhance the Group's cash position, providing the Group with extra funding to fund its existing operations and seize sound investment projects when opportunities arise.

The Group recognises that the economic growth of the PRC and Macau has been modest in recent years but remains overall confident of the general prosperity and business potential of the regions. Facing the challenging business environment and uncertainties, the management will continue to closely monitor its existing businesses, and take prudent steps to capture viable business opportunities to maintain sustainable long term growth of the Group.

ACKNOWLEDGEMENTS

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

By Order of the Board

Sio Tak Hong

Chairman

25th October, 2016

EXECUTIVE DIRECTORS

Sio Tak Hong, aged 53, is an Executive Director, Chairman of the Company. He was appointed to the Board in July 2009. Mr. Sio is a director of Sociedade de Empreendimentos Nam Van, S.A. (南灣發展股份有限公司). 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 59, 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 61, 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 59, 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 69, 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 60, 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 55, 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, 2016, 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.

Corporate Governance Report

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, 2016.

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.

Corporate Governance Report

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 2015 Annual General Meeting are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	2015 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	4/4	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, 2016, remuneration of approximately HK\$1,900,000 was payable to the Auditor for audit service and approximately HK\$368,000 for interim review and other non-audit services during the year.

FINANCIAL REPORTING

The directors acknowledge the responsibilities of preparing the financial statements of the Group which give a true and fair view. The statement of the Auditors about their reporting responsibilities is set out in the Independent Auditor's Report on page 20.

INTERNAL CONTROL

The Board recognises its overall responsibilities for the Group's internal controls, and is committed to the ongoing development of an effective internal control system to safeguard the Group's assets, and to enhance risk management and compliance with applicable legislation and regulations.

The Board has conducted a review of the effectiveness of the system of internal control of the Group. The Company will continue to conduct annual reviews of its internal control system through the Audit Committee, identifying control weaknesses and risk areas, if any, and taking effective measures to improve the system.

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 4th December, 2015.

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.

Corporate Governance Report

(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.

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st July, 2016.

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.

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, 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 22.

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, 2016 are set out on page 84.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

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, 2016 and 2015, 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. Chu Nin Wai, David and Mr. Li Sze Kuen, Billy 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, 2016, 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

Name of Director	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Sio Tak Hong ("Mr. Sio")	–	36,736,500	1,291,612,500 (Note 1)	1,328,349,000	35.9%
Chu Nin Yiu, Stephen ("Mr. Chu")	35,550,000	–	500,171,100 (Note 2)	535,721,100	14.5%
Lau Chi Kan, Michael	2,907,500	–	–	2,907,500	0.1%

Directors' Report

Notes:

- 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.
- 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

Name of Director	Associated Corporation	Number of shares held			Total	Percentage of the issued share capital of the associated corporation
		Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled 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:

- 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.
- 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, 2016.

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 executive director of the Company, held share interests and/or directorships in Sociadale de Empreendimentos Nam Van, S.A. (南灣發展股份有限公司) and 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 operate its businesses independently of, and at arm's length from the competing entities.

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2016, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of the Company

Name of shareholder	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Fullkeen	1,291,612,500	-	-	1,291,612,500	34.9%
Mr. Sio	-	36,736,500	1,291,612,500 (Note 1)	1,328,349,000	35.9%
Supervalue	500,171,100	-	-	500,171,100	13.5%
Mr. Chu	35,550,000	-	500,171,100 (Note 2)	535,721,100	14.5%

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, 2016.

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.

SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL POLICIES

The Group is committed to the long term sustainability of the environment and communities in which it engages.

Environmental Protection

Acting in an environmentally responsible manner, the Group endeavours to identify and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Practical steps have been taken in an effort to minimize environmental impact such as increasing use of duplex printing and copy, switching off non-essential lights after office hours and recycling use of paper and other consumables.

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.

Relationship with Employees, Customers and Suppliers

The Group is an equal opportunity employer and has a diverse workforce in terms of gender and age. Mindful of the employees' career progression, we provide on-the-job training and development opportunities to suit different levels of employee. Around 95% of employees hired by the Group are located in the PRC and the Group strictly complies with the requirements of the labour law of PRC without violating relevant rules and regulations. Staff turnover especially at the management level has been relatively low.

Determined to achieve customer service excellence, the Group provides a convenient, warm and friendly accommodation to the satisfaction of many of its hotel guests. The management values the response from customers, and responsible staff have been trained and motivated to handle enquiries or complaints professionally and skillfully. The Group will continue to enhance customer relationships, gain respect and improve its competitive edge in the hospitality businesses.

The Group works closely with its suppliers in ensuring the provision of quality supplies and services for its hotel operation, including guest room consumables and food and beverage. Through regular reviews and checks, the Group assures the due performance of the suppliers and maintains a long-term and mutually beneficial association with them.

CORPORATE GOVERNANCE

Pursuant to Appendix 23 of the Listing Rules, details of corporate governance report are set out on pages 8 to 12 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, 2016.

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

25th October, 2016

Independent Auditor's Report



TO THE MEMBERS OF CAPITAL ESTATE LIMITED

冠中地產有限公司

(incorporated in Hong Kong with limited liability)

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 22 to 82, which comprise the consolidated statement of financial position as at 31st July, 2016, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st July, 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25th October, 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st July, 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Revenue	5	88,496	115,720
Direct operating costs		(53,690)	(71,508)
Gross profit		34,806	44,212
Other gains and losses	7	(13,867)	7,593
Other income		4,007	4,595
Marketing expenses		(1,826)	(2,134)
Administrative expenses		(52,751)	(61,862)
Other hotel operating expenses		(25,326)	(27,042)
Loss on derecognition of properties for development	20	(60,000)	–
Share of loss of an associate		(24,446)	(24,074)
Finance costs	8	(1,253)	(675)
Loss before taxation		(140,656)	(59,387)
Income tax credit	9	1,128	1,165
Loss for the year	10	(139,528)	(58,222)
Other comprehensive (expense) income:			
Item that will not be reclassified subsequently to profit or loss:			
Share of revaluation reserve of an associate		–	51,510
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(35,512)	(4,606)
Other comprehensive (expense) income for the year		(35,512)	46,904
Total comprehensive expense for the year		(175,040)	(11,318)
Loss for the year attributable to:			
Owners of the Company		(133,564)	(52,558)
Non-controlling interests		(5,964)	(5,664)
		(139,528)	(58,222)
Total comprehensive expense attributable to:			
Owners of the Company		(160,085)	(4,490)
Non-controlling interests		(14,955)	(6,828)
		(175,040)	(11,318)
Loss per share	14		
Basic – HK cents		(3.61)	(1.74)

Consolidated Statement of Financial Position

At 31st July, 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	15	297,784	343,487
Prepaid lease payments	16	2,344	2,606
Premium on prepaid lease payments	17	35,967	39,914
Interest in an associate	18	215,303	239,749
Available-for-sale investments	19	63,738	63,738
		615,136	689,494
Current assets			
Properties for/under development	20	399,701	373,061
Inventories	21	2,256	3,065
Trade and other receivables	22	19,998	6,816
Amount due from an associate	23	5,353	5,552
Prepaid lease payments	16	101	106
Investments held for trading	24	42,421	29,960
Pledged bank deposit	25	642	642
Bank balances and cash	25	73,465	201,662
		543,937	620,864
Current liabilities			
Trade and other payables	26	28,312	27,741
Amounts due to related parties	23	293,178	264,761
		321,490	292,502
Net current assets		222,447	328,362
Total assets less current liabilities		837,583	1,017,856
Non-current liabilities			
Amount due to a director	23	50,000	50,000
Deferred tax liabilities	27	61,527	66,760
		111,527	116,760
Net assets		726,056	901,096

Consolidated Statement of Financial Position

At 31st July, 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	28	1,504,752	1,504,752
Reserves		(721,420)	(561,335)
Equity attributable to owners of the Company		783,332	943,417
Non-controlling interests		(57,276)	(42,321)
Total equity		726,056	901,096

The consolidated financial statements on pages 22 to 82 together with the company statement of financial position set out in note 39 to the consolidated financial statements were approved and authorised for issue by the Board of Directors on 25th October, 2016 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, 2016

	Attributable to owners of the Company									
	Share capital	Capital reserve	Share option reserve	Capital reduction reserve	Translation reserve	Revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st August, 2014	1,322,924	157	23,542	170,583	35,263	9,200	(795,590)	766,079	(35,493)	730,586
Loss for the year	-	-	-	-	-	-	(52,558)	(52,558)	(5,664)	(58,222)
Share of revaluation reserve of an associate	-	-	-	-	-	51,510	-	51,510	-	51,510
Exchange differences arising on translation of foreign operations	-	-	-	-	(3,442)	-	-	(3,442)	(1,164)	(4,606)
Total comprehensive (expense) income for the year	-	-	-	-	(3,442)	51,510	(52,558)	(4,490)	(6,828)	(11,318)
Issue of new shares (note 28)	185,088	-	-	-	-	-	-	185,088	-	185,088
Transaction costs attributable to issue of new shares	(3,260)	-	-	-	-	-	-	(3,260)	-	(3,260)
At 31st July, 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

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, 2016

	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(140,656)	(59,387)
Adjustments for:		
Interest income	(794)	(2,158)
Interest expense	1,253	675
Depreciation	24,557	26,524
Release of prepaid lease payments and premium on prepaid lease payments	1,594	1,646
Share of loss of an associate	24,446	24,074
(Gain) loss on disposal of property, plant and equipment	(186)	28
Loss on derecognition of properties for development	60,000	–
Operating cash flows before movements in working capital	(29,786)	(8,598)
Increase in properties for/under development	(105,889)	(86,437)
Decrease in inventories	158	17
(Increase) decrease in trade and other receivables	(14,821)	443
(Increase) decrease in investments held for trading	(12,461)	32,017
Increase in trade and other payables	446	436
NET CASH USED IN OPERATING ACTIVITIES	(162,353)	(62,122)
INVESTING ACTIVITIES		
Interest received	794	2,158
Proceeds on disposal of property, plant and equipment	450	63
Purchase of property, plant and equipment	(220)	(541)
(Advance to) repayment from an associate	(143)	3
NET CASH FROM INVESTING ACTIVITIES	881	1,683

Consolidated Statement of Cash Flows

For the year ended 31st July, 2016

	2016 HK\$'000	2015 HK\$'000
FINANCING ACTIVITIES		
Advance from related parties	36,725	–
Interest paid	(24)	(98)
Proceeds from issue of new shares	–	185,088
Advance from a director	–	50,000
Repayment of bank borrowings	–	(12,010)
Transaction costs attributable to issue of new shares	–	(3,260)
NET CASH FROM FINANCING ACTIVITIES	36,701	219,720
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(124,771)	159,281
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	201,662	42,641
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,426)	(260)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	73,465	201,662
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	73,465	201,662

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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., Asia Orient Tower, Town Place, 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ⁵
Amendments to HKFRS 2	Clarifications and measurement of share-based payment transactions ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers ¹
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 7	Disclosure initiative ⁶
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁶
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ³

¹ Effective for annual periods beginning on or after 1st January, 2018

² Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016

³ Effective for annual periods beginning on or after 1st January, 2016

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1st January, 2019

⁶ Effective for annual periods beginning on or after 1st January, 2017

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented 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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) *(Continued)*

HKFRS 9 “Financial instruments” *(Continued)*

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company are in the process of assessing the financial impact of the application of HKFRS 9.

HKFRS 15 “Revenue from contracts with customers”

In July 2014, 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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) *(Continued)*

HKFRS 15 “Revenue from contracts with customers”*(Continued)*

The directors of the Company anticipate that the application of HKFRS 15 may have significant impact on amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating 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. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in these consolidated financial statements. The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group’s consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors do not anticipate that the application of the other new and revised HKFRSs will have a material impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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 companies 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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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

Estimated impairment on available-for-sale investments

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the estimates of future cash flows which the Group expects to receive. Impairment is recognised based on the present value of estimated future cash flows. If the market environment/circumstances change significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required. As at 31st July, 2016, the carrying amount of available-for-sale investments is HK\$63,738,000 (2015: HK\$63,738,000).

Properties for/under development

An assessment of the net realisable value of the properties for/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 selling prices to be generated by the completed properties and made deductions for the estimated development costs with reference to the valuation carried out by independent professional qualified valuers. 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 for/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, 2016, the carrying amount of properties for/under development is HK\$399,701,000, with no impairment loss recognised (2015: HK\$373,061,000, net of accumulated impairment loss recognised in respect of write-down of the properties of HK\$241,233,000).

5. REVENUE

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

	2016 HK\$'000	2015 HK\$'000
Hotel operations	88,496	115,720

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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, 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)

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31st July, 2015

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consolidated HK\$'000
GROSS PROCEEDS	115,720	89,005	–	204,725
SEGMENT REVENUE	115,720	–	–	115,720
SEGMENT (LOSS) PROFIT	(22,812)	9,421	(44)	(13,435)
Unallocated expenses				(21,203)
Share of loss of an associate				(24,074)
Finance costs				(675)
Loss before taxation				(59,387)

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

Segment assets and liabilities

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

At 31st July, 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

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31st July, 2015

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	448,064	29,960	373,080	–	851,104
Interest in an associate	–	–	–	239,749	239,749
Unallocated assets	–	–	–	219,505	219,505
Consolidated total assets					<u>1,310,358</u>
LIABILITIES					
Segment liabilities	83,471	89	31	–	83,591
Unallocated liabilities	–	–	–	325,671	325,671
Consolidated total liabilities					<u>409,262</u>

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

6. SEGMENT INFORMATION (Continued)

Other information

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

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

For the year ended 31st July, 2015

	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)	541	-	-	541	-	541
Depreciation	25,396	-	-	25,396	1,128	26,524
Release of prepaid lease payments and premium on prepaid lease payments	1,646	-	-	1,646	-	1,646
Increase in fair value of investments held for trading	-	6,888	-	6,888	-	6,888
Loss on disposal of property, plant and equipment	(28)	-	-	(28)	-	(28)
Interest income	43	2,115	-	2,158	-	2,158

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

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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 for/under development in the property division are located and carried out in Mainland China and Macau. 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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	-	306	1,305
Macau	-	-	215,303	239,749
Mainland China	88,496	115,720	335,789	384,702
	88,496	115,720	551,398	625,756

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, 2016.

Revenue by services and investments

	2016	2015
	HK\$'000	HK\$'000
Room rentals	41,854	48,378
Food and beverage sales	44,580	45,792
Rendering of ancillary services	2,062	21,550
	88,496	115,720

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

7. OTHER GAINS AND LOSSES

	2016 HK\$'000	2015 HK\$'000
Dividend income from investments held for trading	21	–
(Decrease) increase in fair value of investments held for trading	(13,888)	6,888
Realised (loss) gain on derivative financial instruments	–	705
	(13,867)	7,593

8. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on:		
Amount due to a director	1,229	577
Bank and other borrowings	24	98
	1,253	675

9. INCOME TAX CREDIT

	2016 HK\$'000	2015 HK\$'000
Tax credit comprises:		
Deferred taxation (note 27)	(1,128)	(1,165)

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

9. INCOME TAX CREDIT (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Loss before taxation	(140,656)	(59,387)
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(23,208)	(9,799)
Tax effect of share of results of associates	4,034	3,972
Tax effect of expenses not deductible for tax purpose	10,188	348
Tax effect of income not taxable for tax purpose	(1,017)	(1,022)
Tax effect of tax losses not recognised	11,105	8,158
Tax effect of utilisation of tax losses previously not recognised	(702)	(905)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,528)	(1,917)
Tax credit for the year	(1,128)	(1,165)

Details of deferred taxation are set out in note 27.

10. LOSS FOR THE YEAR

	2016 HK\$'000	2015 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 11)	7,804	7,722
Other staff costs		
– Salaries and other benefits	36,038	49,306
– Retirement benefit scheme contributions	2,297	2,343
Total employee benefit expenses	46,139	59,371
Auditor's remuneration	1,900	1,900
Cost of inventories recognised as an expense	21,390	23,726
Depreciation included in:		
– other hotel operating expenses	23,732	25,396
– administrative expenses	825	1,128
(Gain) loss on disposal of property, plant and equipment	(186)	28
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	1,594	1,646
Bank and other interest income	(794)	(2,158)
Net foreign exchange gain	(713)	(1,538)

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2015: seven) directors, including the Chief Executive of the Company, are as follows:

2016

	Executive directors				Independent non-executive directors			Total HK\$'000
	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	
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

2015

	Executive directors				Independent non-executive directors			Total HK\$'000
	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	
Fees	-	-	-	-	200	200	200	600
Other emoluments								
- Salaries and other benefits	-	7,104	-	-	-	-	-	7,104
- Retirement benefit scheme contributions	-	18	-	-	-	-	-	18
	-	7,122	-	-	200	200	200	7,722

Note: Salaries and other benefits of Mr. Chu Nin Yiu, Stephen included rentals of HK\$3,936,000 (2015: HK\$3,854,000) 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, 2016 and 2015, no directors waived any emoluments.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

12. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, one (2015: one) was a director of the Company whose emoluments were included in note 11 above. The emoluments of the remaining four (2015: four) employees were as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	2,186	2,563
Retirement benefit scheme contributions	51	54
	2,237	2,617

Their emoluments were within the following bands:

	2016 No. of employees	2015 No. of employees
Nil to HK\$1,000,000	4	4

During the year ended 31st July, 2016, 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 (2015: nil).

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31st July, 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

14. LOSS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	(133,564)	(52,558)

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

14. LOSS PER SHARE (Continued)

	2016	2015
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	3,701,751,193	3,022,251,659

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, 2014	368,390	3,191	115,902	41,232	9,695	538,410
Additions	-	-	7	334	200	541
Disposals	-	-	-	-	(379)	(379)
Currency realignment	(2,716)	(24)	(870)	(308)	(26)	(3,944)
At 31st July, 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
DEPRECIATION						
At 1st August, 2014	52,008	589	79,057	28,917	5,538	166,109
Provided for the year	11,249	106	10,938	2,834	1,397	26,524
Eliminated on disposals	-	-	-	-	(288)	(288)
Currency realignment	(381)	(4)	(590)	(216)	(13)	(1,204)
At 31st July, 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
CARRYING VALUES						
At 31st July, 2016	273,822	2,220	13,812	6,540	1,390	297,784
At 31st July, 2015	302,798	2,476	25,634	9,723	2,856	343,487

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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

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:

	2016 HK\$'000	2015 HK\$'000
Leasehold land in Mainland China	2,445	2,712
Analysed for reporting purposes as:		
Non-current assets	2,344	2,606
Current assets	101	106
	2,445	2,712

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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 33¹/₂ years on a straight-line basis.

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

	HK\$'000
COST	
At 1st August, 2014	50,246
Currency realignment	(381)
At 31st July, 2015	49,865
Currency realignment	(3,066)
At 31st July, 2016	46,799
AMORTISATION	
At 1st August, 2014	8,473
Charge for the year	1,542
Currency realignment	(64)
At 31st July, 2015	9,951
Charge for the year	1,493
Currency realignment	(612)
At 31st July, 2016	10,832
CARRYING VALUES	
At 31st July, 2016	35,967
At 31st July, 2015	39,914

18. INTEREST IN AN ASSOCIATE

	2016 HK\$'000	2015 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	(14,152)	10,294
	215,303	239,749

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

18. INTEREST IN AN ASSOCIATE (Continued)

At 31st July, 2016 and 2015, the Group had interest in the following associate:

Name of entity	Place of incorporation/ principal place of operation	Proportion of quoted capital held by the Group		Principal activities
		2016	2015	
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 (2015: 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.

	2016 HK\$'000	2015 HK\$'000
Current assets	767,523	524,078
Non-current assets	1,240,484	1,323,788
Current liabilities	(846,710)	(844,624)
Non-current liabilities	(522,577)	(282,963)
Non-controlling interests	16,483	10,143
Net assets attributable to owners of Tin Fok	655,203	730,422
Revenue	201,848	232,724
Loss for the year	(75,219)	(74,074)
Other comprehensive income:		
Fair value gain on leasehold properties upon transfer to investment properties	-	158,492
Total comprehensive (expense) income for the year	(75,219)	84,418
Group's share of loss of an associate	(24,446)	(24,074)
Group's share of revaluation reserve of an associate	-	51,510

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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:

	2016 HK\$'000	2015 HK\$'000
Net assets attributable to owners of Tin Fok	655,203	730,422
Proportion of the Group's ownership interest in Tin Fok	32.5%	32.5%
	212,941	237,387
Goodwill	2,362	2,362
	215,303	239,749
Carrying amount of the Group's interest in Tin Fok	215,303	239,749

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 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 (2015: HK\$50,098,000).

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

19. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

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

	2016 HK\$'000	2015 HK\$'000
United States dollars ("USD")	13,640	13,640

20. PROPERTIES FOR/UNDER DEVELOPMENT

The properties for/under development include both properties for/under development and leasehold land for development and future sale.

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

	HK\$'000
At 1st August, 2014	288,358
Additions	86,437
Currency realignment	(1,734)
At 31st July, 2015	373,061
Additions	105,889
Derecognition	(301,233)
Reversal of impairment loss upon derecognition	241,233
Currency realignment	(19,249)
At 31st July, 2016	399,701

The properties for/under development are located on land in:

	2016 HK\$'000	2015 HK\$'000
Macau	–	60,000
Mainland China	399,701	313,061
	399,701	373,061

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

20. PROPERTIES FOR/UNDER DEVELOPMENT *(Continued)*

Properties for development in Macau

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 and property development costs. No finance cost on development has been capitalised. Properties for/under development are stated at the lower of cost and net realisable value.

For the properties for development in Macau (the “Macau Properties”), 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. During the year ended 31st July, 2012, the Group made a modification to the original development plan according to the requirements of the relevant authorities in Macau (Land, Public Works and Transport Bureau of Macau). During the year ended 31st July, 2013, the Group further revised the plan from developing semi-detached houses and related facilities with a total gross floor area of approximately 16,700 square metres to a low-density development of luxury villas and related facilities with a total gross floor area of approximately 4,400 square metres in order to procure the approval for early commencement of the residential development. As at 31st July 2015, cumulative impairment loss of HK\$241,233,000 was recognised on write-down of the Macau Properties. The Group did not commence construction activities of the Macau Properties pending government approval on the revised development plan.

The net realisable value of the Macau Properties at 31st July, 2015 was arrived at using valuation of the leasehold land less the estimated land premium costs in relation to the then development plan. The valuation of the leasehold land were carried out by American Appraisal China Limited, independent professionally qualified valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar parcels of leasehold land with adjustments for factors such as differences in scale of development, development density, location, type of development and time periods.

On 5th August, 2016, the Company, through Sun Fat (as defined in note 37), 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 derecognises 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 is recognised in profit or loss during the year ended 31st July, 2016.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

20. PROPERTIES FOR/UNDER DEVELOPMENT *(Continued)*

Properties under development 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, 2016, additions of properties under development in Mainland China amounted to HK\$105,889,000 (2015: HK\$86,437,000).

21. INVENTORIES

The inventories at 31st July, 2016 and 31st July, 2015 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:

	2016 HK\$'000	2015 HK\$'000
Trade receivables:		
0 to 30 days	2,055	2,792
31 to 60 days	63	167
61 to 90 days	33	16
91 days or above	329	146
	2,480	3,121
Prepayments and deposits	2,379	1,912
Receivables from securities brokers	10,416	–
Other receivables	4,723	1,783
	19,998	6,816

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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.

(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	2016 HK\$'000	2015 HK\$'000
Gao Wang Investments Limited ("Gao Wang")	(i)	83,175	64,813
Gold Champion Investments Limited ("Gold Champion")	(ii)	83,175	64,813
Mr. Si Tit Sang	(iii)	126,828	135,135
		293,178	264,761

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.

(c) Amount due to a director

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 9 February 2018. In the opinion of the directors, no portion of the outstanding balance will be repaid within twelve months from the end of the reporting period. Accordingly, the amount is shown under non-current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

24. INVESTMENTS HELD FOR TRADING

	2016 HK\$'000	2015 HK\$'000
Listed equity securities in Hong Kong	39,972	16,074
Listed overseas bonds with fixed interest of 9.375% (2015: fixed interest ranging from 7.0% to 9.375%) per annum and maturity date not more than five years from the end of the reporting period	2,449	13,886
	42,421	29,960

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:

	2016 HK\$'000	2015 HK\$'000
USD	2,449	13,886

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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% (2015: 0.01%) per annum. The pledged bank deposit will be released upon the release of the relevant banking facilities.

The bank balances and cash comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and are with original maturity of three months or less. The Group's bank deposits carry interest at rates ranging from nil to 0.01% (2015: nil to 0.01%) per annum.

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

	2016 HK\$'000	2015 HK\$'000
USD	21,421	12,513

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:

	2016 HK\$'000	2015 HK\$'000
Trade payables:		
0 to 30 days	2,589	3,014
31 to 60 days	2,177	2,630
61 to 90 days	500	718
91 days or above	82	202
	5,348	6,564
Accruals	3,707	4,965
Interest payable to a director (see note 23 (c))	1,806	577
Other payables	17,451	15,635
	28,312	27,741

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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, 2014	162	(162)	68,444	68,444
Currency realignment	-	-	(519)	(519)
(Credit) charge to profit or loss	(142)	142	(1,165)	(1,165)
At 31st July, 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

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, 2016, the Group has unused tax losses of HK\$497,847,000 (2015: HK\$434,792,000) available to offset against future profits. At 31st July, 2015, a deferred tax asset of HK\$119,000 has been recognised in respect of such tax losses. No deferred tax assets have been recognised in respect of the tax losses of HK\$497,847,000 (2015: HK\$434,673,000) due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely. In addition, the Group has no deductible temporary differences (2015: deductible temporary differences of HK\$241,233,000) in relation to impairment loss recognised on write-down of the properties for/under development. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

28. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1st August, 2014	2,467,834,129	1,322,924
Rights issue of shares, net of transaction costs	1,233,917,064	181,828
At 31st July, 2015 and 31st July, 2016	3,701,751,193	1,504,752

On 2nd July, 2015, the Company allotted 1,233,917,064 rights shares at a subscription price of HK\$0.15 per rights share on the basis of one rights share for every two then existing ordinary shares held. The Company raised HK\$181,828,000 (net of expenses) with the intention at the time of rights issue to finance the property development project in Mainland China and serve as general working capital of the Group.

New shares issued during the year ended 31st July, 2015 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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

30. PLEDGE OF ASSETS

Bank deposit of HK\$642,000 (2015: HK\$642,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2015: HK\$600,000) granted to the Group, of which HK\$56,000 (2015: HK\$5,000) 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, 2016, contributions of the Group under the MPF Scheme and the PRC state-managed retirement benefit schemes amounted to HK\$2,315,000 (2015: HK\$2,361,000).

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

32. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases for premises during the year was HK\$3,090,000 (2015: HK\$3,412,000). In addition, the Group paid rentals of HK\$3,936,000 (2015: HK\$3,854,000) during the year in respect of accommodation provided to a director, details of which are included in directors' emoluments (see note 11).

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:

	2016 HK\$'000	2015 HK\$'000
Within one year	8,681	6,695
In the second to fifth year inclusive	3,832	6,624
	12,513	13,319

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 (2015: two to five years).

33. COMMITMENTS

	2016 HK\$'000	2015 HK\$'000
Contracted for but not provided in the consolidated financial statements in respect of – Properties under development	121,685	174,556

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

34. RELATED PARTY DISCLOSURES

(a) Related party balances and transactions

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

	2016 HK\$'000	2015 HK\$'000
Interest expense on amount due to a director	1,228	577

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.

(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:

	2016 HK\$'000	2015 HK\$'000
Short-term benefits	7,786	7,704
Post-employment benefits	18	18
	7,804	7,722

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
FVTPL held for trading	42,421	29,960
Loans and receivables (including cash and cash equivalents)	97,079	212,760
Available-for-sale financial assets	63,738	63,738
Financial liabilities		
Amortised cost	367,783	337,537

(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 have 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:

	2016 HK\$'000	2015 HK\$'000
USD	44,920	40,039

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

36. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(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 loss for the year ended 31st July, 2016 would increase or decrease by HK\$250,000 (2015: HK\$117,000).

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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 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 loss before taxation would decrease/increase by HK\$2,121,000 (2015: HK\$1,498,000) 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

36. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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	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
		on demand/ less than					
		1 month 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

	Contractual interest rate %	Repayable	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 31.7.2015 HK\$'000
		on demand/ less than					
		1 month HK\$'000					
2015							
Non-derivative financial liabilities							
Trade and other payables	-	22,776	-	-	-	22,776	22,776
Amounts due to related parties	-	264,761	-	-	-	264,761	264,761
Amount due to a director	2.45	-	-	1,225	51,873	53,098	50,000
		287,537	-	1,225	51,873	340,635	337,537

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

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

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		Fair value hierarchy	Valuation techniques and key inputs
	2016 HK\$'000	2015 HK\$'000		
Listed equity securities	39,972	16,074	Level 1	Quoted bid prices in active market
Listed debt securities	2,449	13,886	Level 1	Quoted bid prices in active market
	42,421	29,960		

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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st July, 2016 and 2015 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		
			2016 %	2015 %	2016 %	2015 %	
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
Sun Fat Investment and Industry Company Limited ("Sun Fat")	Macau	MOP50,000,000	-	-	99	99	Property investment
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.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. 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	
		2016	2015
Investment holding	BVI	6	6
	Hong Kong	1	1
Inactive	BVI	1	1
	Hong Kong	3	3
	PRC	1	1
		12	12

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	
		2016	2015	2016	2015	2016	2015
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hotel Fortuna Group (note)	Hong Kong	25%	25%	(5,247)	(5,556)	(56,072)	(41,834)
Individually immaterial subsidiaries with non-controlling interests						(1,204)	(487)
						(57,276)	(42,321)

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”.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

	2016 HK\$'000	2015 HK\$'000
Current assets	428,983	382,409
Non-current assets	335,468	384,267
Current liabilities	(877,212)	(817,251)
Non-current liabilities	(111,527)	(116,760)
Equity attributable to owners of the Company	(168,216)	(125,501)
Non-controlling interests	(56,072)	(41,834)

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

	For the year ended 31st July,	
	2016 HK\$'000	2015 HK\$'000
Revenue	88,496	115,720
Loss attributable to owners of the Company	(15,743)	(16,669)
Loss attributable to non-controlling interests	(5,247)	(5,556)
Loss for the year	(20,990)	(22,225)
Other comprehensive expense attributable to owners of the Company	(26,972)	(3,490)
Other comprehensive expense attributable to non-controlling interests	(8,991)	(1,164)
Other comprehensive expense for the year	(35,963)	(4,654)
Total comprehensive expense attributable to owners of the Company	(42,715)	(20,159)
Total comprehensive expense attributable to non-controlling interests	(14,238)	(6,720)
Total comprehensive expense for the year	(56,953)	(26,879)
Net cash outflow used in operating activities	(105,931)	(83,338)
Net cash outflow used in investing activities	(294)	(434)
Net cash inflow from financing activities	68,300	105,400
Net cash (outflow) inflow	(37,925)	21,628

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to 31st July, 2016:

- (a) On 17th August, 2016, the Company allotted 185,000,000 ordinary shares by placing to not less than six placees at a placing price of HK\$0.077 per share. The Company raised approximately HK\$13.8 million (net of expenses) with the intention at the time of placing to be used for general working capital of the Group. The new placing shares were issued pursuant to the general mandate granted to the directors at the annual general meeting of the Company held on 4th December, 2015.
- (b) 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 application of the land lease concession of the Macau Land and in light of the Notification (see note 20), Kong Kei and the Warrantor agreed to repay to the Group an aggregate sum of approximately HK\$298.0 million (the “Sum”) which was the actual amount paid by the Group to Kong Kei for the acquisition of 99% equity interest of Sun Fat.

Payment schedule of the Sum is as follows:

	HK\$'000
On or before	
31st December, 2016	60,000
31st December, 2017	120,000
31st December, 2018	118,004
	<hr/>
	298,004

Details of the above are set out in the Company’s announcements dated 7th August, 2016, 8th August, 2016 and 26th August, 2016. Up to the date of approval of the consolidated financial statements, the Group received HK\$20.0 million from Kong Kei.

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Investments in subsidiaries	10	10
Amounts due from subsidiaries	1,005,793	1,069,398
	1,005,803	1,069,408
Current assets		
Deposit	991	991
Bank balances	23,935	86,180
	24,926	87,171
Current liabilities		
Other payables	1,626	1,628
Amounts due to subsidiaries	241,928	218,249
	243,554	219,877
Net current liabilities	(218,628)	(132,706)
Net assets	787,175	936,702
Capital and reserves		
Share capital	1,504,752	1,504,752
Reserves (note)	(717,577)	(568,050)
Total equity	787,175	936,702

Notes to the Consolidated Financial Statements

For the year ended 31st July, 2016

39. 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, 2014	2,127	23,542	170,583	(763,567)	(567,315)
Loss and total comprehensive expense for the year	-	-	-	(735)	(735)
At 31st July, 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)

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

Financial Summary

RESULTS

	Year ended 31st July,				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	88,496	115,720	133,284	140,762	142,923
(Loss) gain on financial investments	(13,867)	7,593	921	3,644	(9,019)
	74,629	123,313	134,205	144,406	133,904
Loss before taxation	(140,656)	(59,387)	(90,090)	(166,849)	(123,203)
Income tax credit	1,128	1,165	26,813	1,567	2,557
Loss for the year	(139,528)	(58,222)	(63,277)	(165,282)	(120,646)
Attributable to:					
Owners of the Company	(133,564)	(52,558)	(55,521)	(161,927)	(120,325)
Non-controlling interests	(5,964)	(5,664)	(7,756)	(3,355)	(321)
	(139,528)	(58,222)	(63,277)	(165,282)	(120,646)

ASSETS AND LIABILITIES

	At 31st July,				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Total assets	1,159,073	1,310,358	1,103,688	1,202,703	1,208,453
Total liabilities	(433,017)	(409,262)	(373,102)	(404,612)	(280,602)
	726,056	901,096	730,586	798,091	927,851
Equity attributable to owners of the Company	783,332	943,417	766,079	824,760	926,191
Non-controlling interests	(57,276)	(42,321)	(35,493)	(26,669)	1,660
	726,056	901,096	730,586	798,091	927,851

Major Properties

Particulars of major properties held by the Group at 31st July, 2016 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. B82 Lecong Avenue East, 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 2016	March 2017	132,914	75%