



CAPITAL ESTATE LIMITED
冠中地產有限公司

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

INTERIM
REPORT
2021/2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Tsui Wing Tak (*Chairman*)

(appointed on 15th February, 2022)

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

Sio Tak Hong (resigned on 29th December, 2021)

Chu Nin Wai, David

(resigned on 15th February, 2022)

Lau Chi Kan, Michael

(resigned on 15th February, 2022)

Non-Executive Director

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

Independent Non-Executive Directors

Li Sze Kuen, Billy

Wong Kwong Fat

Leung Kam Fai

COMPANY SECRETARY

Cham Wing Yeung, Andrew

AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen

Cham Wing Yeung, Andrew

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 LLP

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

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

Unit 1701, 17th Floor

YF Life Tower

33 Lockhart Road

Wan Chai, Hong Kong

STOCK CODE

193

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CAPITAL ESTATE LIMITED

冠中地產有限公司

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Capital Estate Limited (the “Company”) and its subsidiaries set out on pages 4 to 18, which comprise the condensed consolidated statement of financial position as of 31st January, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24th March, 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2022

	NOTES	Six months ended	
		31.1.2022 HK\$'000 (unaudited)	31.1.2021 HK\$'000 (unaudited)
Revenue	3	62,790	42,638
Cost of sales		(27,696)	(22,560)
Direct operating costs		(1,358)	(1,400)
Gross profit		33,736	18,678
Other income		6,763	21,193
Other gain and loss	4	(39,730)	2,980
Impairment losses under expected credit loss ("ECL") model, net		(9,278)	(5,142)
Marketing expenses		(2,398)	(2,170)
Administrative expenses		(24,245)	(18,401)
Other hotel operating expenses		(6,317)	(6,525)
Share of loss of an associate		(10,984)	(8,518)
Finance cost		(73)	(67)
(Loss) profit before taxation		(52,526)	2,028
Income tax expense	5	(3,907)	(4,050)
Loss for the period	6	(56,433)	(2,022)
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		5,767	27,381
Total comprehensive (expense) income for the period		(50,666)	25,359
Loss for the period attributable to:			
Owners of the Company		(57,436)	(3,231)
Non-controlling interests		1,003	1,209
		(56,433)	(2,022)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(53,111)	17,305
Non-controlling interests		2,445	8,054
		(50,666)	25,359
Loss per share			
Basic – HK cents	7	(29.56)	(1.66)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2022

	NOTES	31.1.2022 HK\$'000 (unaudited)	31.7.2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	233,593	234,922
Right-of-use assets		32,833	34,446
Interest in an associate		160,146	171,130
Deposit and prepayment for a life insurance policy		11,600	11,614
Receivables from customers of consumer finance service	9	16,923	–
		455,095	452,112
Current assets			
Properties held for sale		52,014	78,881
Inventories		772	787
Trade and other receivables	10	26,543	25,482
Receivables from customers of consumer finance service	9	52,232	54,945
Amount due from an associate	17(b)	8,008	7,869
Prepaid income tax		22,120	19,789
Financial assets at fair value through profit or loss (“FVTPL”)	11	77,287	265,228
Pledged bank deposit	16	644	644
Bank balances and cash		341,945	221,755
		581,565	675,380
Current liabilities			
Trade and other payables	12	10,153	26,850
Contract liabilities		12,126	33,225
Lease liabilities		1,265	2,671
Amounts due to related parties	17(b)	2,068	9,009
Tax payable		102,224	94,477
		127,836	166,232
Net current assets		453,729	509,148
Total assets less current liabilities		908,824	961,260
Non-current liabilities			
Deferred tax liability		25,575	27,305
Lease liabilities		267	307
		25,842	27,612
Net assets		882,982	933,648
Capital and reserves			
Share capital	13	1,518,519	1,518,519
Reserves		(601,132)	(548,021)
Equity attributable to owners of the Company		917,387	970,498
Non-controlling interests		(34,405)	(36,850)
Total equity		882,982	933,648

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2022

	Attributable to owners of the Company								Total	Non-controlling interests	Total
	Share capital	Capital reserve	Share option reserve	Capital reduction reserve	Translation reserve	Revaluation reserve	FVTOCI reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st August, 2020 (audited)	1,518,519	157	23,542	170,583	(12,226)	51,510	(73,778)	(694,474)	983,833	(48,375)	935,458
(Loss) profit for the period	-	-	-	-	-	-	-	(3,231)	(3,231)	1,209	(2,022)
Other comprehensive income for the period	-	-	-	-	20,536	-	-	-	20,536	6,845	27,381
Total comprehensive income (expense) for the period	-	-	-	-	20,536	-	-	(3,231)	17,305	8,054	25,359
Balance at 31st January, 2021 (unaudited)	1,518,519	157	23,542	170,583	8,310	51,510	(73,778)	(697,705)	1,001,138	(40,321)	960,817
Balance at 1st August, 2021 (audited)	1,518,519	157	23,542	170,583	8,507	51,510	(73,778)	(728,542)	970,498	(36,650)	933,648
(Loss) profit for the period	-	-	-	-	-	-	-	(57,436)	(57,436)	1,003	(56,433)
Other comprehensive income for the period	-	-	-	-	4,325	-	-	-	4,325	1,442	5,767
Total comprehensive income (expense) for the period	-	-	-	-	4,325	-	-	(57,436)	(53,111)	2,445	(50,666)
Balance at 31st January, 2022 (unaudited)	1,518,519	157	23,542	170,583	12,832	51,510	(73,778)	(785,978)	917,387	(34,405)	882,982

Note: "FVTOCI" represents fair value through other comprehensive income.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2022

	Six months ended	
	31.1.2022 HK\$'000 (unaudited)	31.1.2021 HK\$'000 (unaudited)
Net cash from operating activities		
(Loss) profit before taxation	(52,526)	2,028
Share of loss of an associate	10,984	8,518
Decrease (increase) in fair value of financial assets at FVTPL	41,329	(2,980)
Decrease in properties held for sale	27,696	22,560
(Increase) decrease in trade and other receivables	(1,009)	43
Increase in receivables from customers of consumer finance service	(23,486)	(22,632)
Decrease (increase) in financial assets at FVTPL	146,612	(6,182)
(Decrease) increase in contract liabilities	(21,674)	2,063
Other items	(1,737)	3,153
	126,189	6,571
Net cash from investing activities		
Interest received	215	5,530
Proceeds from disposal of property, plant and equipment	-	82
Purchases of property, plant and equipment	-	(12)
Advance to an associate	-	(2)
	215	5,598
Net cash used in financing activities		
Repayment of advances from related parties	(7,062)	(113,033)
Repayments of lease liabilities	(1,442)	(1,294)
Interest paid	(76)	(67)
	(8,580)	(114,394)
Net increase (decrease) in cash and cash equivalents	117,824	(102,225)
Cash and cash equivalents at beginning of the period	221,755	332,456
Effect of foreign exchange rate changes	2,366	4,379
Cash and cash equivalents at end of the period, represented by bank balances and cash	341,945	234,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Capital Estate Limited (the “Company”) have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31st July, 2021 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st July, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st January, 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st July, 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1st August, 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

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

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

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended	
	31.1.2022 HK\$'000	31.1.2021 HK\$'000
Type of goods or service		
Revenue from hotel operations		
– Room rentals	2,681	2,557
– Food and beverage sales	71	199
– Rendering of ancillary services	89	88
Revenue from sale of properties held for sale	45,972	39,794
Interest income from receivables from customers of consumer finance service	13,977	–
	62,790	42,638
Geographical market		
Mainland China	48,813	42,638
Hong Kong	13,977	6,030
Total	62,790	48,668
Timing of revenue recognition		
A point in time	60,109	40,081
Overtime	2,681	2,557
	62,790	42,638

Segment information

The Group's reportable and operating segments, based on information reported to the chief operating decision maker ("CODM"), representing the executive directors of the Company, for the purpose of allocating resource to segments and assessing their performance are as follows:

Hotel operations	–	hotel business and its related services
Financial investment	–	trading of listed securities and other financial instruments
Property	–	sale of properties held for sale
Consumer finance	–	provision of consumer finance service

Information regarding these segments is reported below.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

Six months ended 31st January, 2022

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consumer finance HK\$'000	Total HK\$'000
Gross proceeds	2,841	372,247	45,972	13,977	435,037
Segment revenue	2,841	–	45,972	13,977	62,790
Segment (loss) profit	(9,648)	(36,023)	17,573	(2,231)	(30,329)
Unallocated income					1
Unallocated expenses					(11,141)
Finance cost					(73)
Share of loss of an associate					(10,984)
Loss before taxation					(52,526)

Six months ended 31st January, 2021

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consumer finance HK\$'000	Total HK\$'000
Gross proceeds	2,844	116,025	39,794	6,030	164,693
Revenue, as reported	2,844	–	39,794	–	42,638
Interest income from receivables from customers of consumer finance service	–	–	–	6,030	6,030
Segment revenue	2,844	–	39,794	6,030	48,668
Segment (loss) profit	(7,487)	14,259	16,372	(3,225)	19,919
Unallocated income					56
Unallocated expenses					(9,362)
Finance cost					(67)
Share of loss of an associate					(8,518)
Loss before taxation					2,028

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

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

Other segment information

The following other segment information is included in the measure of segment (loss) profit:

For the six months ended 31st January, 2022

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consumer finance HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
Depreciation of property, plant and equipment	(5,532)	-	-	-	(146)	(5,678)
Depreciation of right-of-use assets	(785)	-	-	-	(1,376)	(2,161)
Bank interest income	214	-	-	170	1	385
Interest income from financial assets at FVTPL	-	3,810	-	-	-	3,810
Loss on disposal of property, plant and equipment	(131)	-	-	-	-	(131)

For the six months ended 31st January, 2021

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Consumer finance HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
Depreciation of property, plant and equipment	(5,754)	-	-	-	(182)	(5,936)
Depreciation of right-of-use assets	(771)	-	-	-	(1,376)	(2,147)
Bank interest income	93	-	-	165	57	315
Interest income from financial assets at FVTPL	-	11,473	-	-	-	11,473
Loss on disposal of property, plant and equipment	(123)	-	-	-	5	(118)

4. OTHER GAIN AND LOSS

	Six months ended	
	31.1.2022 HK\$'000	31.1.2021 HK\$'000
(Decrease) increase in fair value of financial assets at FVTPL	(41,329)	2,980
Dividend income from financial assets at FVTPL	1,599	–
	(39,730)	2,980

5. INCOME TAX EXPENSE

	Six months ended	
	31.1.2022 HK\$'000	31.1.2021 HK\$'000
Income tax expense comprises:		
Current tax		
PRC land appreciation tax	(6,110)	(5,912)
Deferred taxation	2,203	1,862
	(3,907)	(4,050)

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the PRC is 25%.

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

No provision for PRC enterprise income tax has been made for the both periods as the subsidiary in the PRC did not generate any assessable profit for both periods.

6. LOSS FOR THE PERIOD

	Six months ended	
	31.1.2022 HK\$'000	31.1.2021 HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– other hotel operating expenses	5,532	5,754
– administrative expenses	146	182
Depreciation of right-of-use assets	2,161	2,147
Loss on disposal of property, plant and equipment	131	118
Included in other income:		
– Bank interest income	(385)	(315)
– Interest income from financial assets at FVTPL	(3,810)	(11,473)

7. LOSS PER SHARE

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

	Six months ended	
	31.1.2022 HK\$'000	31.1.2021 HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	(57,436)	(3,231)
	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic loss per share	194,337,559	194,337,559

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

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group transferred certain properties held for sale to property, plant and equipment at cost of HK\$536,000 (for six months ended 31st January, 2021: nil). During the period ended 31st January, 2021, the Group acquired property, plant and equipment for a cash consideration of HK\$12,000 (six months ended 31st January, 2022: nil).

In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$131,000 for no sales proceeds, resulting in a loss on disposal of HK\$131,000 (for the six months ended 31st January, 2021: aggregate carrying amount of HK\$200,000 for proceeds of HK\$82,000, resulting in a loss on disposal of HK\$118,000).

9. RECEIVABLES FROM CUSTOMERS OF CONSUMER FINANCE SERVICE

Receivables from customers of consumer finance service represent receivables from the provision of consumer loan to a large number of customers with loan to individual customer ranging from HK\$2,000 to HK\$120,000 (31st July, 2021: HK\$2,000 to HK\$100,000). The receivables are unsecured and carry interest at fixed rate which is determined based on factors including loan term, principal amount and credit history of individual customer. The amounts are to be settled by customers through installments over the loan term.

As at 31st January, 2022, impairment losses under ECL model amounting to HK\$13,336,000 (31st July, 2021: HK\$14,024,000) are recognised. At the end of reporting period, aggregate net balances with customers of consumer finance service with payment past due are HK\$1,193,000 (31st July, 2021: HK\$1,378,000).

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

	31.1.2022	31.7.2021
	HK\$'000	HK\$'000
Within one month	3,817	5,812
Six months or less but over one month	25,128	29,197
One year or less but over six months	23,287	19,936
Over one year	16,923	–
	69,155	54,945
Analysed as:		
Current portion	52,232	54,945
Non-current portion	16,923	–
	69,155	54,945

10. TRADE AND OTHER RECEIVABLES

The hotel revenue is normally settled by cash or credit card. The Group allows an average credit period of 30 days to its trade customers of hotel business. The following is an analysis of trade receivables, presented based on invoice date.

	31.1.2022 HK\$'000	31.7.2021 HK\$'000
0 to 30 days	307	118
31 to 60 days	8	2
61 to 90 days	3	5
91 days or above	332	363
	650	488

As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure that relevant information about specific debtors is updated.

During the six months ended 31st January, 2022, no impairment allowance (six months ended 31st January, 2021: nil) was recognised for trade receivables based on the provision matrix.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.1.2022 HK\$'000	31.7.2021 HK\$'000
Listed equity securities in Hong Kong	65,625	117,711
Listed debt securities in Hong Kong	6,612	60,702
Unlisted debt securities in Hong Kong	5,050	10,101
Listed debt securities overseas	–	76,714
	77,287	265,228

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 the reporting period.

12. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables, presented based on invoice date.

	31.1.2022	31.7.2021
	HK\$'000	HK\$'000
0 to 30 days	61	39
31 to 60 days	31	33
61 to 90 days	21	19
91 days or above	38	49
	151	140

13. SHARE CAPITAL

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

14. SHARE-BASED PAYMENT TRANSACTIONS

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

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

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's 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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs and sensitivity analysis
	31.1.2022 HK\$'000	31.7.2021 HK\$'000			
Listed equity securities at FVTPL	65,625	117,711	Level 1	Quoted bid prices in active market	N/A
Listed debt securities at FVTPL	6,612	137,416	Level 1	Quoted bid prices in active market	N/A
Unlisted debt securities at FVTPL	5,050 (note)	10,101 (note)	Level 2	Fair value derived with reference to recent transactions	N/A

Note: For the relevant financial asset acquired during the year ended 31st July, 2021, the quoted bid price was no longer available in active market, therefore, the valuation technique for the relevant asset was changed and the fair value measurement was transferred from level 1 to level 2 during the year ended 31st July, 2021.

There were no other transfers among Level 1, 2 and 3 during both periods.

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

16. PLEDGE OF ASSETS

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

17. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel:

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

	Six months ended	
	31.1.2022 HK\$'000	31.1.2021 HK\$'000
Short-term benefits	2,812	3,012
Post-employment benefits	17	18
	2,829	3,030

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

(b) Other related party transactions and balances

The amount due from an associate is unsecured, non-interest bearing, non-trade in nature and repayable on demand.

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

	31.1.2022 HK\$'000	31.7.2021 HK\$'000
Non-controlling shareholders of certain subsidiaries of the Company	2,068	2,068
Director of certain subsidiaries of the Company	–	6,941
	2,068	9,009

18. FINANCIAL GUARANTEES

At 31st July, 2021, the Group provided guarantees of HK\$31,171,000 (31st January, 2022: nil) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company consider that the fair value on initial recognition and ECL of such guarantees and at the end of reporting period was insignificant.

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of HK\$62.8 million for the six months ended 31st January, 2022, which comprised mainly income from sale of properties of HK\$46.0 million; consumer finance service of HK\$14.0 (six months ended 31st January, 2021: HK\$6.0 million included in other income) and hotel operations of HK\$2.8 million, as compared to HK\$42.6 million for the same period last year which comprised mainly income from sale of properties of HK\$39.8 million and hotel operations of HK\$2.8 million.

Net loss attributable to owners of the Company for the six months ended 31st January, 2022 was HK\$57.4 million, as compared to HK\$3.2 million for the same period last year.

The loss in the six-month period ended 31st January, 2022 was mainly attributable to the fair value loss of the Group's financial investment portfolio of HK\$41.3 million (six months ended 31st January, 2021: fair value gain of HK\$3.0 million) and decrease in interest income from such investment by HK\$7.7 million to HK\$3.8 million (six months ended 31st January, 2021: HK\$11.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2022, the Group had bank balances and cash of HK\$342.6 million (31st July, 2021: HK\$222.4 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$77.3 million (31st July, 2021: HK\$265.2 million).

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

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds was 16.8% at 31st January, 2022 (31st July, 2021: 20.0%).

EXCHANGE RATE EXPOSURE

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

BUSINESS REVIEW

For the six months ended 31st January, 2022, the principal activities of the Group are property development, consumer finance, hotel operation, financial investment and related activities.

PROPERTY INVESTMENT AND DEVELOPMENT

Sales activities of the residential project alongside Hotel Fortuna, Foshan, the People's Republic of China ("PRC") continue and revenue from sales of property amounting to HK\$46.0 million has been recognised for the six months ended 31st January, 2022 (six months ended 31st January, 2021: HK\$39.8 million). At 31st January, 2022, deposits for units pending hand over of approximately HK\$11.8 million (31st July, 2021: HK\$32.9 million) was recorded and the unsold saleable floor area of approximately 8.5% of this high-rise residential development, which mainly attributable to approximately 180 car park space, is expected to further contribute to the Group's revenue in the near term.

CONSUMER FINANCE

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

The service consists of the provision of unsecured consumer finance in Hong Kong through a self-developed online consumer lending software with AI sourcing. With the vision of continuous upscaling, the customer base grew steadily with approximately 3,600 users as at the period end date (31st July, 2021: approximately 3,500 users). The service maintained a net loan portfolio of HK\$69.2 million as at 31st January, 2022 (31st July, 2021: HK\$54.9 million) with loans to individual users ranging from HK\$2,000 to HK\$120,000 (31st July, 2021: HK\$2,000 to HK\$100,000). During the period, the loans recorded interest income of HK\$14.0 million (six-month period ended 31st January, 2021: HK\$6.0 million) and impairment losses under expected credit loss model on receivables amounting to HK\$9.3 million (six-month period ended 31st January, 2021: HK\$5.1 million). Although the consumer finance service is yet to reach a break even, the management is dedicated to develop such service as a new source of revenue of the Group.

HOTEL OPERATION

The Group has a 75% effective interest in Hotel Fortuna, Foshan with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC. During the six months ended 31st January, 2022, the occupancy rate remains at a low level of approximately 8.2% under the effect of the COVID-19 pandemic and recorded a turnover of approximately HK\$2.8 million (six months ended 31st January, 2021: HK\$2.8 million).

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. Under the effect of the pandemic, the hotel's recorded occupancy rate of approximately 72.8% and turnover of approximately HK\$51.4 million during the period in compared to approximately HK\$60.6 million in the six months ended 31st January, 2021.

FINANCIAL INVESTMENTS

The Group continues its securities investment as one of its principal activities and in the ordinary and usual course of business. Its strategy is to maintain a diversified portfolio of marketable securities for effective treasury and risk management. The Group will continue to invest its surplus funds in marketable securities with attractive return and satisfactory rating, including debt securities. The investment portfolio, under close monitoring by the management, is expected to generate stable income and can be liquidated swiftly to support the Group's operations and cash requirements when needed.

As at 31st January, 2022, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK\$65.6 million (31st July, 2021: HK\$117.7 million) and marketable debt securities of HK\$11.7 million (31st July, 2021: 147.5 million).

Listed equity securities of HK\$65.6 million (31st July, 2021: HK\$117.7 million), representing approximately 84.9% (31st July, 2021: 44.4%) of the investment portfolio, consist of 1 equity securities (31st July, 2021: 6 equity securities) which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The equity security is a constituent of the Hang Seng Index and the mark to market valuation of it represents approximately 6.3% of the Group's total assets. As at 31st July, 2021, the mark to market valuation of the largest single equity security within the portfolio represents approximately 4.5% of the Group's total assets, and that of the five largest equity securities held represents approximately 10.4% of the Group's total assets. Approximately 64.7% of these equity securities held by the Group as at 31st July, 2021 are constituents of the Hang Seng Index and approximately 24.2% represents shares in BOCOM International Holdings Company Limited (stock code: 3329). Details of the investment in BOCOM International Holdings Company Limited are set out in the Company's announcements dated 5th May, 2017 and 18th May, 2017.

During the period, the equity portfolio gave rise to a net fair value gain of HK\$9.9 million (six months ended 31st January, 2021: fair value gain of HK\$6.5 million) and dividend income of HK\$1.6 million (six months ended 31st January, 2021: Nil).

As at 31st January, 2022, the Group had 1 listed (31st July, 2021: 14) and 1 unlisted (31st July, 2021: 1) debt securities representing approximately 15.1% (31st July, 2021: 55.6%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 0.6% (31st July, 2021: 2.3%) of the Group's total assets, and that of the two (31st July, 2021: five) largest debt securities held represents approximately 1.1% (31st July, 2021: 7.7%) of the Group's total assets. As at 31st July, 2021, the remaining 10 debt securities represent 5.3% of the Group's total assets, each ranging from 0.3% to 0.9%. All these debt securities are related to PRC-based real estate companies.

During the period, the debts portfolio gave rise to a net fair value loss of HK\$51.3 million (six-month period ended 31st January, 2021: HK\$3.5 million) and interest income of HK\$3.8 million (six-month period ended 31st January, 2021: HK\$11.5 million).

PROSPECTS

Although the PRC and local economies is still under the influence of the COVID-19 pandemic, the Board believes that the Group's financial position will not be significantly affected in the near term.

The Board will continue to closely monitor the development of the pandemic. Facing the recession and uncertainties, the Directors will endeavour to formulate strategies and plans to tackle this unprecedented challenge and utilise its resources effectively to capture viable business opportunities to maintain sustainable long term growth of the Group.

CONTINGENT LIABILITY

At 31st July, 2021, the Group provided guarantees of approximately HK\$31.2 million to banks in respect of mortgage loans provided by the banks to purchasers of the Group's developed properties. These guarantees will be released when the building ownership certificates are issued and pledged by the purchasers with the banks for the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks. No such guarantee was provided by the Group as at 31st January, 2022.

PLEDGE OF ASSETS

At 31st January, 2022, bank deposit of HK\$644,000 of the Group was pledged to a bank to secure credit facilities to the extent of HK\$600,000 granted to the Group. None of such credit facilities were utilised by the Group as at 31st January, 2022 (31st July, 2021: Nil).

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.

OTHER INFORMATION

SHARE OPTIONS

Pursuant to a resolution passed on 7th December 2012, the existing share option scheme was adopted (the "Scheme").

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

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

At 31st January, 2022, the interests of the directors and chief executive and their associates in the shares, and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

LONG POSITIONS

Ordinary shares of the Company

Name of Director	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Chu Nin Yiu, Stephen ("Mr. Chu")	1,777,500	-	25,008,555 (Note)	26,786,055	13.8%
Lau Chi Kan, Michael (resigned on 15th February, 2022)	145,375	-	-	145,375	0.1%

Notes: Mr. Chu was deemed to be interested in the 25,008,555 shares in the Company held through Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares and underlying shares of the Company or any of its associated corporations as at 31st January, 2022.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section "Share Options", at no time during the period 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st January, 2022, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholder had notified the Company of relevant interests and short positions 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 Holdings Limited ("Fullkeen") (Note 3)	64,580,625	–	–	64,580,625	33.2%
Sio Tak Hong ("Mr. Sio") (Note 3)	3,885,000	1,836,825	64,580,625 (Note 1)	70,302,450	36.2%
Supervalue	25,008,555	–	–	25,008,555	12.9%
Mr. Chu	1,777,500	–	25,008,555 (Note 2)	26,786,055	13.8%

Notes:

- Mr. Sio was deemed to be interested in the 64,580,625 shares in the Company held through Fullkeen, which is in turn 70% owned by Mr. Sio.
- Mr. Chu was deemed to be interested in the 25,008,555 shares in the Company held through Supervalve, which is in turn wholly owned by Mr. Chu.
- On 15th February, 2022, Fullkeen entered into a standard form of transfer and a bought and sold note with AE Majoris Global Investment Limited ("AE Majoris"), pursuant to which Fullkeen has sold, and AE Majoris has purchased, 55,000,000 shares in the Company, representing approximately 28.30% of the Company's total issued share capital as at the date. (the "Transfer"). AE Majoris is wholly-owned by Mr. Tsui Wing Tak, who has been appointed as an executive director and the chairman of the Board on the same date of the Transfer. Further details of the above are set out in the Company's announcement dated 15th February, 2022.

After the updating of the register of members of the Company as a result of the Transfer, shares of the Company held by Fullkeen and deemed to be interested by Mr. Sio decreased to 9,580,625 shares and 15,302,450 shares (4.9% and 7.8% of the issued share capital of the Company) respectively.

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 January, 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2022.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2022 with all applicable provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules except for the following deviation:-

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

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

2. Under Code E.1.2, the chairman of the board of directors (the “Board”) should attend the annual general meeting.

The chairman of the Board was unable to attend the Company’s annual general meeting which was held on 9th December, 2021 due to the COVID-19 pandemic.

MODEL CODE 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 six months ended 31st January, 2022.

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

During the six months ended 31st January, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors since the date of the last report of the Company are set out below.

Mr. Sio Tak Hong has resigned as the chairman of the Board and an executive Director of the Company with effect from 29th December, 2021 in order to devote more time in other business ventures.

Mr. Chu Nin Wai, David and Mr. Lau Chi Kan, Michael has resigned as an executive Director of the Company with effect from 15th February, 2022 in order to devote more time in other business ventures.

Mr. Tsui Wing Tak ("Mr. Tsui") has been appointed as an executive director and chairman of the Board and Mr. Lam Yiu Cho ("Mr. Lam") has been appointed as a non-executive director with effect from 15th February, 2022.

The biographical details of Mr. Tsui are as follows:

Mr. Tsui, aged 40, has more than 15 years of experience in the accounting and corporate field. Mr. Tsui has been the Chief Executive Officer of AE Majoris Advisory Company Limited which is principally engaged in the provision of corporate advisory services, since January, 2012. He was the Company Secretary of Noble House (China) Holdings Limited (now known as Zhonghua Gas Holdings Limited) (stock code: 8246), a company listed on GEM, from July, 2013 to August, 2014. From August, 2004 to January, 2012, Mr. Tsui worked in an international accounting firm in Hong Kong with his last position as a Manager in auditing. Mr. Tsui was a Non-Executive Director of CCT Land Holdings Limited (now known as GBA Holdings Limited) (stock code: 261), a company listed on the Main Board of the Stock Exchange, from January, 2017 to April, 2018. Mr. Tsui has been the Company Secretary of Ching Lee Holdings Limited (stock code: 3728), a company listed on the Main Board of the Stock Exchange, since August, 2017. Mr. Tsui has been the Non-Executive Director and Company Secretary of Jiu Zun Digital Interactive Entertainment Group Holdings Limited (stock code: 1961), a company listed on the Main Board of the Stock Exchange, since February, 2019. Mr. Tsui has been the Executive Director of Tree Holdings Limited (stock code: 8395), a company listed on the GEM of the Stock Exchange, since September, 2016. Mr. Tsui has been the Non-Executive Director of Star Group Company Limited (stock code: 1560), a company listed on the Main Board of the Stock Exchange, since February, 2022.

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

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

The biographical details of Mr. Lam are as follows:

Mr. Lam aged 40, has more than 15 years of experience in the accounting and corporate industry. Since March, 2016, Mr. Lam has been working for AE Majoris Advisory Company Limited. Mr Lam has been the company secretary of Sun Hing Printing Holdings Limited (stock code: 1975), a company listed on Main Board of the Stock Exchange, since October, 2021.

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

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

By Order of the Board
CAPITAL ESTATE LIMITED
Tsui Wing Tak
Chairman

Hong Kong, 24th March, 2022

As at the date hereof, the Board comprises Mr. Tsui Wing Tak, Mr. Chu Nin Yiu, Stephen as executive directors, Mr. Lam Yiu Cho as non-executive director and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.