

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST JULY, 2022

The board of directors (the “Board”) of Capital Estate Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st July, 2022, together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st July, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000 (restated)
Revenue	5		
Contracts with customers		59,799	116,147
Interest under effective interest method		27,474	15,916
Cost of sales		(32,598)	(60,810)
Direct operating costs		(2,402)	(2,959)
Gross profit		52,273	68,294
Other gains and losses	6	(38,436)	(26,384)
Impairment losses under expected credit loss (“ECL”) model, net		(15,183)	(12,016)
Other income		11,363	27,601
Marketing expenses		(5,470)	(4,653)
Administrative expenses		(42,056)	(40,306)
Other hotel operating expenses		(13,825)	(13,045)
Share of loss of an associate		(25,264)	(16,360)
Finance costs	7	(101)	(257)
Loss before taxation		(76,699)	(17,126)
Income tax expense	8	(27,617)	(12,328)
Loss for the year	9	(104,316)	(29,454)

	<i>NOTE</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
Other comprehensive (expense) income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(11,260)</u>	<u>27,644</u>
Other comprehensive (expense) income for the year		<u>(11,260)</u>	<u>27,644</u>
Total comprehensive expense for the year		<u><u>(115,576)</u></u>	<u><u>(1,810)</u></u>
(Loss) profit for the year attributable to:			
Owners of the Company		<u>(98,255)</u>	<u>(34,068)</u>
Non-controlling interests		<u>(6,061)</u>	<u>4,614</u>
		<u><u>(104,316)</u></u>	<u><u>(29,454)</u></u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		<u>(106,700)</u>	<u>(13,335)</u>
Non-controlling interests		<u>(8,876)</u>	<u>11,525</u>
		<u><u>(115,576)</u></u>	<u><u>(1,810)</u></u>
Loss per share	<i>10</i>		
Basic – HK cents		<u><u>(50.6)</u></u>	<u><u>(17.5)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st July, 2022

	<i>NOTES</i>	2022 HK\$'000	2021 <i>HK\$'000</i> (restated)
Non-current assets			
Property, plant and equipment		214,949	234,922
Right-of-use assets		29,349	34,446
Interest in an associate	<i>11</i>	145,866	171,130
Deposit and prepayment for a life insurance policy		11,586	11,614
Receivables from customers of consumer finance service		15,501	–
		417,251	452,112
Current assets			
Properties held for sale		42,368	78,881
Inventories		700	787
Trade and other receivables	<i>12</i>	21,297	25,482
Receivables from customers of consumer finance service		51,674	54,945
Amount due from an associate	<i>13</i>	8,031	7,869
Prepaid income tax		50,151	19,789
Financial assets at fair value through profit or loss (“FVTPL”)		52,631	265,228
Pledged bank deposit		644	644
Bank balances and cash		336,137	221,755
		563,633	675,380
Current liabilities			
Trade and other payables	<i>14</i>	11,866	26,850
Contract liabilities		2,249	33,225
Derivative financial instruments		1,041	–
Lease liabilities		307	2,671
Amounts due to related parties		2,068	9,009
Tax payable		121,924	94,477
		139,455	166,232
Net current assets		424,178	509,148
Total assets less current liabilities		841,429	961,260

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
Non-current liabilities		
Deferred tax liability	23,357	27,305
Lease liabilities	–	307
	<u>23,357</u>	<u>27,612</u>
Net assets	<u>818,072</u>	<u>933,648</u>
Capital and reserves		
Share capital	1,518,519	1,518,519
Reserves	(654,721)	(548,021)
Equity attributable to owners of the Company	863,798	970,498
Non-controlling interests	(45,726)	(36,850)
Total equity	<u>818,072</u>	<u>933,648</u>

1. GENERAL INFORMATION

Capital Estate Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company was Unit 1701, 17/F., YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong and it has been changed to 13th Floor Bonham Circus, 40 Bonham Strand, Sheung Wan, Hong Kong since 15th August, 2022.

The Company acts as an investment holding company.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1st August, 2021 for the preparation of the 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.

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 “Inventories”)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell properties held for sales and inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2021 ²

¹ Effective for annual periods beginning on or after 1st January, 2023

² Effective for annual periods beginning on or after 1st January, 2022

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

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

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 financial information relating to the years ended 31st July, 2022 and 2021 included in this preliminary announcement of annual results 2022 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance 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 and will deliver the financial statements for the year ended 31st July, 2022 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. For the year ended 31st July, 2021, the auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance. For the year ended 31st July, 2022, the auditor’s report was qualified and contained a statement under section 407(2) and 407(3) of the Hong Kong Companies Ordinance (Cap.622). The auditor’s report did not contain a statement under sections 406(2) of the Hong Kong Companies Ordinance (Cap. 622). For details, please refer to section “EXTRACT OF INDEPENDENT AUDITOR’S REPORT” in this preliminary announcement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) **Critical accounting estimates in consolidated financial statements of Tin Fok Holding Company Limited (“Tin Fok”)**

The Group's associate, Tin Fok, is principally engaged in hotel operations and property investment in Macao Special Administrative Region of the People's Republic of China (note 11). The spouse and daughters of a former director of the Company, Mr. Sio Tak Hong (“Mr. Sio”), have beneficial interest in Tin Fok. The management of the Group has prepared a set of consolidated financial statements of Tin Fok and its subsidiary (together, “Tin Fok Group”) for the year ended 31st July, 2022 for the Group's reporting purposes. In preparing consolidated financial statements of Tin Fok Group, the accounting policies of Tin Fok have been aligned, where necessary, to ensure consistency with those accounting policies adopted by the Group. Significant management judgements and estimates have been involved as described below:

(i) ECL assessment on loan to Mr. Sio

Amount due from Mr. Sio with a carrying amount of HK\$967,600,000, which was un-secured, interest bearing and matured on 30th September, 2021, is assessed for ECL individually by the management of the Group. During the year ended 31st July, 2022, Mr. Sio is being charged for several crimes and there was no repayment from Mr. Sio during the year. Subsequent to the reporting period end, the loan to Mr. Sio was novated to another private entity related to Mr. Sio. Considered the net asset position of that related entity, the management of the Group believed the credit risk of the loan to Mr. Sio was not significantly increased and no ECL was recognised in Tin Fok's consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2022 (2021: nil).

(ii) Impairment assessment on property, plant and equipment in respect of hotel operations of Tin Fok

As at 31st July, 2022, there was impairment indicator of property, plant and equipment in respect of hotel operations of Tin Fok due to the deterioration of the operation results and uncertainties related to operation of Tin Fok Group. Accordingly, the management of the Group conducted an impairment assessment on the property, plant and equipment in respect of hotel operations of Tin Fok which required an estimation of the recoverable amount, being the higher of the value in use and fair value less costs of disposal. The management of the Group estimates the value in use of the property, plant and equipment relevant to hotel operations based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions including the room rate, room occupancy rate and discount rate of 7.5% (2021: 8.0%). Impairment loss will be recognised when the recoverable amount is lower than the carrying amount.

As at 31st July, 2022, the carrying amount of property, plant and equipment in respect of hotel operations of Tin Fok was approximately HK\$634,017,000 (2021: HK\$657,593,000). No impairment loss is recognised in Tin Fok's consolidated profit or loss and other comprehensive income for the year ended 31st July, 2022.

(b) Impairment assessment on interest in an associate and ECL on amount due from an associate and dividend receivable from an associate

The management of the Group considers that as at 31st July, 2022, there was impairment indicator of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group and the uncertainties related to operation of Tin Fok Group mentioned in note 4(a). Accordingly, the management of the Group conducted an impairment assessment on the interest in Tin Fok and individually assess the ECL on amount due from Tin Fok and dividend receivable from Tin Fok.

The impairment assessment on the interest in Tin Fok requires an estimation of recoverable amount of the interest in Tin Fok, being the higher of its value in use and fair value less cost of disposal. The management of the Group estimated the recoverable amount of the interest in Tin Fok based on the value in use, which is determined based on the same 5-year discounted cash flow projection used in the impairment assessment on property, plant and equipment in respect of hotel operations of Tin Fok.

The management of the Group estimated the ECL on the amount due from Tin Fok and dividend receivable from Tin Fok by considering the consolidated financial position of Tin Fok Group and historical repayment records and is of the view that there was no significant increase in credit risk of amount due from Tin Fok and dividend receivable from Tin Fok.

As at 31st July, 2022, the carrying amounts of the Group's interest in an associate, amount due from an associate and the dividend receivables due from an associate were HK\$145,866,000 (2021: HK\$171,130,000), HK\$8,031,000 (2021: HK\$7,069,000) and HK\$12,621,000 (2021: HK\$12,621,000), respectively. Based on management's assessment, no impairment loss on the interest in an associate, amount due from an associate and dividend receivable from an associate was recognised for both current and prior years.

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM"), representing the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised. The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

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

The Group launched a money lending service in 2018 facilitated by a money lender license 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 year which became a new operation segment in current year and considered such income as part of the revenue of the Group for the year. Segment results for the year ended 31st July, 2021 has been restated to reflect this new operation segment.

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, 2022

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
GROSS PROCEEDS	<u>4,144</u>	<u>743,785</u>	<u>55,655</u>	<u>27,474</u>	<u>831,058</u>
SEGMENT REVENUE	<u>4,144</u>	<u>–</u>	<u>55,655</u>	<u>27,474</u>	<u>87,273</u>
SEGMENT (LOSS) PROFIT	<u>(18,530)</u>	<u>(34,201)</u>	<u>21,909</u>	<u>(1,364)</u>	<u>(32,186)</u>
Unallocated income					1
Unallocated expenses					(19,149)
Finance costs					(101)
Share of loss of an associate					<u>(25,264)</u>
Loss before taxation					<u>(76,699)</u>

For the year ended 31st July, 2021 (restated)

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i> (restated)	Consolidated <i>HK\$'000</i>
GROSS PROCEEDS	<u>6,272</u>	<u>595,873</u>	<u>109,875</u>	<u>15,916</u>	<u>727,936</u>
SEGMENT REVENUE (RESTATED)	<u>6,272</u>	<u>–</u>	<u>109,875</u>	<u>15,916</u>	<u>132,063</u>
SEGMENT (LOSS) PROFIT	<u>(10,353)</u>	<u>(5,863)</u>	<u>41,145</u>	<u>(5,571)</u>	19,358
Unallocated income					58
Unallocated expenses					(19,925)
Finance costs					(257)
Share of loss of an associate					<u>(16,360)</u>
Loss before taxation					<u>(17,126)</u>

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

6. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividend income from financial assets at FVTPL	7,187	5,483
Decrease in fair value of financial assets at FVTPL	(44,582)	(31,867)
Decrease in fair value of derivative financial instruments	(1,041)	–
	<u>(38,436)</u>	<u>(26,384)</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on lease liabilities	43	116
Interests on overdraft in brokers' account	58	141
	<u>101</u>	<u>257</u>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Tax expense comprises:		
PRC land appreciation tax		
Current tax	30,642	16,969
Deferred taxation	(3,025)	(4,641)
	<u>27,617</u>	<u>12,328</u>

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

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

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

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

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

9. LOSS FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	4,610	6,066
Other staff costs		
– Salaries and other benefits	14,764	11,596
– Retirement benefit scheme contributions	767	656
	<u>20,141</u>	<u>18,318</u>
Total employee benefit expenses		
Auditor's remuneration	2,160	2,160
Cost of inventories recognised as an expense	113	230
Cost of properties sold recognised as an expense	32,598	60,810
Depreciation of property, plant and equipment included in:		
– other hotel operating expenses	12,334	11,502
– administrative expenses	235	332
Depreciation of right-of-use assets	4,025	4,295
Net foreign exchange loss	30	239
Loss on disposal of property, plant and equipment	212	118
Included in other income:		
Bank and other interest income	(877)	(598)
Interest income from financial assets at FVTPL	(4,346)	(21,123)
Government grants (<i>note</i>)	–	(1,270)
Rental income	(3,781)	(3,536)
	<u><u>(3,781)</u></u>	<u><u>(3,536)</u></u>

Note: During the current year, the Group received government grants as compensation of employee benefits expenses amounting to HK\$489,000 (2021: HK\$657,000) which have been offset against related expenses. During the year ended 31st July, 2021, the Group also recognised government grants of HK\$1,270,000 in respect of Covid-19-related subsidies.

10. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>(98,255)</u>	<u>(34,068)</u>
	2022	2021
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<u>194,357,559</u>	<u>194,357,559</u>

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

11. INTEREST IN AN ASSOCIATE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of unlisted investments in an associate	229,455	229,455
Share of post-acquisition results and other comprehensive income, net of dividend received	(83,589)	(58,325)
	<u>145,866</u>	<u>171,130</u>

At 31st July, 2022 and 2021, 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
		2022	2021	
Tin Fok (<i>note</i>)	Macau	32.5%	32.5%	Hotel operations and property investment

Note: The spouse and daughters of a former director of the Company have beneficial interest in Tin Fok.

Included in the cost of investment in an associate is goodwill of HK\$2,362,000 (2021: HK\$2,362,000) arising on acquisition of Tin Fok.

The revenue of Tin Fok dropped significantly during the year ended 31st July, 2022, which resulted in a loss of HK\$77,733,000. The management of the Group considers that as at 31st July, 2022, there was an indication of impairment of the Group's interest. Accordingly, the management of the Group conducted an impairment assessment on the interest in Tin Fok, which requires an estimation of recoverable amount of the interest in Tin Fok, being the higher of the value in use and fair value less cost of disposal, as required by HKAS 36. The management of the Group assessed the value in use of the interest in Tin Fok based on a 5-year discounted cash flow projection prepared by the management with key assumptions including the room rate, room occupancy rate and discount rate of 7.5% (2021: 8.0%).

Based on management's assessment, no impairment loss on the interest in an associate was recognised for both current and prior years.

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

	2022	2021
	HK\$'000	HK\$'000
Current assets (<i>note</i>)	1,023,916	1,011,243
Non-current assets	929,119	967,531
Current liabilities	(364,474)	(361,102)
Non-current liabilities	(1,189,902)	(1,138,356)
Non-controlling interests	42,893	39,969
	<u>441,552</u>	<u>519,285</u>
Net assets attributable to owners of Tin Fok		
	<u>441,552</u>	<u>519,285</u>
Revenue	<u>89,544</u>	<u>132,583</u>
Loss and total comprehensive expense for the year	<u>(77,733)</u>	<u>(50,339)</u>
Group's share of loss of an associate	<u>(25,264)</u>	<u>(16,360)</u>

Note: The amount mainly presented a loan to Mr. Sio with a carrying amount of HK\$967,600,000, for which no ECL was recognised.

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

	2022	2021
	HK\$'000	HK\$'000
Net assets attributable to owners of Tin Fok	441,552	519,285
Proportion of the Group's ownership interest in Tin Fok	32.5%	32.5%
	<u>143,504</u>	<u>168,768</u>
Goodwill	2,362	2,362
	<u>145,866</u>	<u>171,130</u>
Carrying amount of the Group's interest in Tin Fok		

12. 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 aged analysis of trade receivables, presented based on invoice date:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables:		
0 to 30 days	221	118
31 to 60 days	33	2
61 to 90 days	2	5
91 days or above	337	363
	<hr/>	<hr/>
	593	488
Prepayments and deposits	2,894	1,503
Other receivables (<i>note</i>)	17,810	23,491
	<hr/>	<hr/>
	21,297	25,482
	<hr/> <hr/>	<hr/> <hr/>

Note: Included in other receivables are dividend receivable from an associate of HK\$12,621,000 (2021: HK\$12,621,000). The other receivables as at 31st July, 2021 also included a receivable arising from disposal of financial assets at FVTPL amounting to HK\$8,884,000 (2022: nil).

As at 1st August, 2020, trade receivables with customers amounted to HK\$357,000.

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

13. 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.

14. 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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
0 to 30 days	24	39
31 to 60 days	27	33
61 to 90 days	–	19
91 days or above	18	49
	<hr/>	<hr/>
	69	140
Accruals	3,167	2,838
Other payables (<i>note</i>)	8,630	23,872
	<hr/>	<hr/>
	11,866	26,850
	<hr/> <hr/>	<hr/> <hr/>

Note: The balance as at 31st July, 2021 included payable in relation to acquisition of financial assets at FVTPL amounting to HK\$11,493,000.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by Messrs. Deloitte Touche Tohmatsu, the auditor of the Company, regarding the Group’s consolidated financial statements for the year ended 31st July, 2022.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st July, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As detailed in note 16 to the consolidated financial statements, the Group holds 32.5% equity interest in an associate, Tin Fok Holding Company Limited (“Tin Fok”), which is engaged in hotel operations and property investment in Macao Special Administrative Region of the People’s Republic of China. The spouse and daughters of a former director of the Company, Mr. Sio Tak Hong (“Mr. Sio”), have beneficial interest in Tin Fok. The Group accounted for its interest in Tin Fok using equity method of accounting based on the unaudited consolidated financial statements of Tin Fok and its subsidiary (together, “Tin Fok Group”) for the year ended 31st July, 2022 prepared in accordance with HKFRSs. The Group has recognised a share of loss of an associate amounting to HK\$25,264,000 on the consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2022 and carried an interest in an associate amounting to HK\$145,866,000 on the consolidated statement of financial position as at 31st July, 2022, in which no impairment was recognised. Furthermore, as detailed in notes 22 and 20 to the consolidated financial statements, the Group carried an amount due from an associate and dividend receivable from an associate amounting to HK\$8,031,000 and HK\$12,621,000 respectively as at 31st July, 2022, in which no expected credit loss (“ECL”) allowance was recognised. Significant management judgements and estimates have been involved in assessing these balances.

Interest in an associate

- (1) Tin Fok Group carried (a) a loan to Mr. Sio amounting to HK\$967,600,000 in which no ECL allowance was recognised; and (b) property, plant and equipment in respect of its hotel operations amounting to HK\$634,017,000 in which no impairment was recognised on its consolidated statement of financial position as at 31st July, 2022. The Group’s share of result of an associate and interest in an associate would be adversely affected if there were any significant ECL allowance or impairment loss recognised by Tin Fok Group for the year ended 31st July, 2022.

- (a) As set out in note 4(a)(i) to the consolidated financial statements, subsequent to the reporting period end, the loan to Mr. Sio was novated to another private entity related to Mr. Sio. Considered the net asset position of that related entity, the management of the Group is of the view that there was no significant increase in credit risk of the loan to Mr. Sio and no ECL allowance in respect of loan to Mr. Sio under HKFRS 9 “Financial Instruments” (“HKFRS 9”) issued by the HKICPA is recognised in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022. However, there was no repayment from Mr. Sio and Mr. Sio was being charged for several crimes during the year ended 31st July, 2022. In addition, the management of the Group was not able to provide us the ECL assessment on loan to Mr. Sio from Tin Fok Group, including the methodology adopted, the assumptions applied and the data used as required by HKFRS 9, for the purposes of equity accounting the results of the Group.
- (b) As set out in note 4(a)(ii) to the consolidated financial statements, with impairment indicators identified on the property, plant and equipment in respect of Tin Fok Group’s hotel operations, the management of the Group is required to assess the recoverable amount of these property, plant and equipment, being the higher of the fair value less cost of disposal and value in use, as required by HKAS 36 “Impairment of Assets” (“HKAS 36”) issued by the HKICPA for the purposes of equity accounting the results of Tin Fok Group. The management of the Group estimated the value in use of the property, plant and equipment in respect of Tin Fok Group’s hotel operations based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions, including the room rate, room occupancy rate and discount rate. However, the management of Tin Fok did not provide the details of the key assumptions used in the discounted cash flow projection to the management of the Group who was then not able to provide us with sufficient appropriate information to support the reasonableness of these key assumptions used in the discounted cash flow projection. In addition, the management of the Group did not provide us their assessment of the fair value less cost of disposal of the property, plant and equipment in respect of Tin Fok Group’s hotel operations for the purposes of equity accounting the results of Tin Fok Group.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess ECL on loan to Mr. Sio and impairment on property, plant and equipment in respect of Tin Fok Group’s hotel operations as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that loan to Mr. Sio as at 31st July, 2022, property, plant and equipment in respect of Tin Fok Group’s hotel operations as at 31st July, 2022 and the loss of Tin Fok Group for the year ended 31st July, 2022 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022; and hence interest in an associate as at 31st July, 2022 and share of loss of an associate for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

- (2) As set out in note 4(b) to the consolidated financial statements, the management of the Group considers that as at 31st July, 2022, there was impairment indicator of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group and the uncertainties related to operation of Tin Fok Group mentioned in note 4(a) to the consolidated financial statements. In respect of the impairment assessment of interest in an associate, the management of the Group is required to assess the recoverable amount of the interest in Tin Fok Group, being the higher of its fair value less cost of disposal and value in use, as required by HKAS 36. The Group's results would be adversely affected if there were any significant impairment loss on interest in an associate recognised by the Group for the year ended 31st July, 2022. The management of the Group estimated the value in use of the interest in Tin Fok Group based on same set of 5-year discounted cash flow projection as mentioned in (1)(b) above in which the management of the Group was not able to provide us with sufficient appropriate information to support the reasonableness of the key assumptions adopted in the discounted cash flow projection. In addition, the management of the Group did not provide us their assessment of the fair value less cost of disposal of the interest in Tin Fok Group.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess impairment on interest in an associate as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that interest in an associate as at 31st July, 2022 and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to impairment assessment of interest in an associate were sufficient and appropriate.

Amount due from an associate and dividend receivable from an associate

As set out in note 4(b) to the consolidated financial statements, considering the consolidated financial position of Tin Fok Group and historical repayment records, the management of the Group is of the view that there was no significant increase in credit risk of the amount due from Tin Fok and dividend receivable from Tin Fok and no ECL allowance under HKFRS 9 in respect of amount due from an associate and dividend receivable from an associate is recognised in the consolidated financial statements of the Group for the year ended 31st July, 2022. However, the management of the Group was not able to provide us the ECL assessment on account due from an associate and dividend receivable from an associate, including the methodology adopted, the assumptions applied and the data used as required by HKFRS 9.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess ECL on amount due from an associate and dividend receivable from an associate as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that amount due from an associate and dividend receivable from an associate at 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to ECL assessment of amount due from an associate and dividend receivable from an associate were sufficient and appropriate.

It is not practicable for us to quantify the effects of the scope limitation in relation to the above-mentioned matters on the consolidated financial statements of the Group for the year ended 31st July, 2022.

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

The aforesaid “notes 4, 16, 20 and 22 to the consolidated financial statements” are disclosed as notes 4, 11, 12 and 13, respectively, of this announcement.

Report on Other Matters under Sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In accordance with the Hong Kong Companies Ordinance, we have the following matters to report. In our opinion:

- in respect alone of the inability to obtain sufficient appropriate audit evidence regarding interest in an associate, amount due from an associate and dividend receivable from an associate as described in the Basis for Qualified Opinion section of our report above:
 - we were unable to determine whether adequate accounting records had been kept; and
 - we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$831.1 million for the year ended 31st July, 2022 (2021: HK\$727.9 million), which comprised gross proceeds from sales of properties of HK\$55.7 million (2021: HK\$109.9 million), consumer finance service of HK\$27.5 million (2021: HK\$15.9 million, included in other income), hotel operations of HK\$4.1 million (2021: HK\$6.3 million) and sales of securities and other business segments totaling HK\$743.8 million (2021: HK\$595.8 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2022 was HK\$98.3 million (2021: HK\$34.1 million).

The increase in loss in the year ended 31st July, 2022 was mainly attributable to (i) decrease in revenue from sale of properties by over 49%; (ii) fair value loss of the Group’s financial investment portfolio of HK\$45.6 million (2021: HK\$31.9 million) and decrease in interest income from such investment by HK\$16.8 million to HK\$4.3 million (2021: HK\$21.1 million); and (iii) recognition of land appreciation tax of HK\$22.6 million upon receipt of tax clearance in relation to properties sales up to 31st October, 2021.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31st July, 2022, the Group had bank balances and cash of HK\$336.8 million (2021: HK\$222.4 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$52.6 million (2021: HK\$265.2 million).

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

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ funds, was 18.8% at 31st July, 2022 (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 year ended 31st July, 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\$55.7 million has been recognised for the year ended 31st July, 2022 (2021: HK\$109.9 million). At 31st July, 2022, deposits for units pending hand over of approximately HK\$2.0 million (2021: HK\$32.9 million) was recorded and the unsold saleable floor area of approximately 7.3% of this high-rise residential development, which mainly attributable to approximately 170 car park space, is expected to further contribute to the Group’s revenue in the near term.

Consumer finance

The Group 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 year and considered such income as part of the revenue of the Group for the year.

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 3,400 users as at 31st July, 2022 (2021: approximately 3,500 users). The service maintained a net loan portfolio of HK\$67.2 million as at 31st July, 2022 (2021: HK\$54.9 million) with loans to individual users ranging from HK\$2,000 to HK\$120,000 (2021: HK\$2,000 to HK\$100,000). During the year, the loans recorded interest income of HK\$27.5 million (2021: HK\$15.9 million) and impairment losses under expected credit loss model on receivables amounting to HK\$15.2 million (2021: HK\$12.0 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 year ended 31st July, 2022, the hotel's occupancy rate dropped to approximately 6.6% (2021: 11.1%) and recorded a turnover of approximately HK\$4.1 million in compared to turnover of approximately HK\$6.3 million in the year ended 31st July, 2021.

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 55.4% (2021: 72.4%) and turnover of approximately HK\$89.5 million during the year in compared to approximately HK\$132.6 million in 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 and derivatives instruments. The investment portfolio, under close monitoring by the management, is expected to generate stable income and can be liquidated swiftly to support the Group's operations and cash requirements when needed.

As at 31st July, 2022, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK\$52.6 million (2021: HK\$117.7 million) and debt securities of no carrying value (2021: HK\$147.5 million).

Listed equity securities of HK\$52.6 million (2021: HK\$117.7 million), representing approximately 100.0% (2021: 44.4%) of the investment portfolio, consist of 3 equity securities (6 equity securities) which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The mark to market valuation of the largest single equity security within the portfolio represents approximately 3.5% (2021: 4.5%) of the Group's total assets, and that of the three (2021: five) largest equity securities held represents approximately 5.4% (2021: 10.4%). Approximately 90.0% (2021: 64.7%) of these equity securities are constituents of the Hang Seng Index. As at 31st July, 2021 approximately 24.2% of the equity securities held by the Group 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 year, the equity portfolio gave rise to a net fair value loss of HK\$16.1 million (2021: fair value gain of HK\$3.0 million) and dividend income of HK\$7.2 million (2021: HK\$5.5 million).

As at 31st July, 2022, the Group had no listed (2021: 14) and 1 unlisted (2021: 1) debt securities representing approximately 0.0% (2021: 55.6%) of the investment portfolio. The debt security held as at 31st July, 2022 was defaulted and has no carrying value. As at 31st July, 2021, the mark to market valuation of the largest single debt security within the portfolio represents approximately 2.3% of the Group's total assets, and that of the five largest debt securities held represents approximately 7.7% of the Group's total assets. The remaining 10 debt securities held as at 31st July, 2021, 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 year, the debts portfolio gave rise to a net fair value loss of HK\$23.5 million (2021: HK\$34.9 million) and interest income of HK\$4.3 million (2021: HK\$21.1 million).

During the year, the Group also entered into certain derivative contracts in relation to the listed equity securities held by the Group. As at 31st July, 2022, the Group has derivative liabilities of HK\$1.0 million and recorded a fair value loss of HK\$1.0 million for the year.

CONTINGENT LIABILITIES

At 31st July, 2022, the Group provided guarantees of approximately HK\$16.2 million (2021: 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.

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, 2022, the Group had approximately 80 employees of whom approximately 40 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2022 amounted to approximately HK\$20.1 million (2021: HK\$18.3 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.

PLEDGE OF ASSETS

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

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.

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, 2022, 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:

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

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

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 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st July, 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 31st October, 2022. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with the Code. The Audit Committee comprises Mr. Yeung Chi Wai (Chairman), Mr. Wong Kwong Fat and Mr. Chan Shu Yan, Stephen, all of whom are independent non-executive directors.

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

During the year, the Audit Committee held 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, 2022.

By Order of the Board
Capital Estate Limited
Chu Nin Yiu, Stephen
Chief Executive Officer

Hong Kong, 31st October, 2022

As at the date of this announcement, 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. Yeung Chi Wai, Mr. Wong Kwong Fat and Mr. Chan Shu Yan, Stephen as independent non-executive directors.