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CAPITAL ESTATE LIMITED **冠中地產有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

INTERIM RESULTS **SIX MONTHS ENDED 31ST JANUARY, 2023**

The directors of Capital Estate Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2023 together with the comparative figures for the six months ended 31st January, 2022 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2023

		Six months ended	
	<i>NOTES</i>	31.1.2023	31.1.2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue			
Contracts with customers	3	2,771	48,813
Interest under effective interest method	3	14,082	13,977
Cost of sales		(542)	(27,696)
Direct operating costs		<u>(1,346)</u>	<u>(1,358)</u>
Gross profit		14,965	33,736
Other income		5,924	6,763
Other gain and loss	4	8,619	(39,730)
Impairment losses under expected credit loss (“ECL”) model, net		(6,440)	(9,278)
Marketing expenses		(3,023)	(2,398)
Administrative expenses		(21,496)	(24,245)
Other hotel operating expenses		(6,420)	(6,317)
Share of loss of an associate		(4,392)	(10,984)
Finance cost		<u>(24)</u>	<u>(73)</u>
Loss before taxation		(12,287)	(52,526)
Income tax credit (expense)	5	<u>393</u>	<u>(3,907)</u>

	NOTES	Six months ended	
		31.1.2023 HK\$'000 (unaudited)	31.1.2022 HK\$'000 (unaudited)
Loss for the period	6	<u>(11,894)</u>	<u>(56,433)</u>
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>(789)</u>	<u>5,767</u>
Total comprehensive expense for the period		<u><u>(12,683)</u></u>	<u><u>(50,666)</u></u>
Loss for the period attributable to:			
Owners of the Company		<u>(9,820)</u>	<u>(57,436)</u>
Non-controlling interests		<u>(2,074)</u>	<u>1,003</u>
		<u><u>(11,894)</u></u>	<u><u>(56,433)</u></u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<u>(10,411)</u>	<u>(53,111)</u>
Non-controlling interests		<u>(2,272)</u>	<u>2,445</u>
		<u><u>(12,683)</u></u>	<u><u>(50,666)</u></u>
Loss per share			
Basic – <i>HK cents</i>	7	<u><u>(5.05)</u></u>	<u><u>(29.56)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST JANUARY, 2023

	<i>NOTES</i>	31.1.2023 HK\$'000 (unaudited)	31.7.2022 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		208,688	214,949
Right-of-use assets		28,460	29,349
Interest in an associate		141,474	145,866
Deposit and prepayment for a life insurance policy		11,573	11,586
Receivables from customers of consumer finance service		17,048	15,501
		<hr/> 407,243	<hr/> 417,251
Current assets			
Properties held for sale		41,713	42,368
Inventories		620	700
Trade and other receivables	8	24,969	21,297
Receivables from customers of consumer finance service		55,296	51,674
Amount due from an associate		8,009	8,031
Prepaid income tax		1,696	50,151
Financial assets at fair value through profit or loss ("FVTPL")	9	94,384	52,631
Pledged bank deposit		645	644
Bank balances and cash		208,697	336,137
		<hr/> 436,029	<hr/> 563,633
Current liabilities			
Trade and other payables	10	8,395	11,866
Contract liabilities		2,243	2,249
Derivative financial instruments		161	1,041
Lease liabilities		267	307
Amounts due to related parties		2,068	2,068
Tax payable		2,009	121,924
		<hr/> 15,143	<hr/> 139,455
Net current assets		<hr/> 420,886	<hr/> 424,178
Total assets less current liabilities		<hr/> 828,129	<hr/> 841,429

	31.1.2023 <i>HK\$'000</i> (unaudited)	31.7.2022 <i>HK\$'000</i> (audited)
Non-current liability		
Deferred tax liability	<u>22,740</u>	<u>23,357</u>
Net assets	<u>805,389</u>	<u>818,072</u>
Capital and reserves		
Share capital	1,518,519	1,518,519
Reserves	<u>(665,132)</u>	<u>(654,721)</u>
Equity attributable to owners of the Company	853,387	863,798
Non-controlling interests	<u>(47,998)</u>	<u>(45,726)</u>
Total equity	<u>805,389</u>	<u>818,072</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2023

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, 2022 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 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, 2022 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 qualified and contain a statement under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance. The auditor’s report 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 section 406(2) 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, 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st July, 2022.

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, 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2021

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	
	31.1.2023 <i>HK\$'000</i>	31.1.2022 <i>HK\$'000</i>
Type of goods or service		
Revenue from hotel operations		
– Room rentals	1,632	2,681
– Food and beverage sales	18	71
– Rendering of ancillary services	10	89
Revenue from sale of properties held for sale	1,111	45,972
	<u>2,771</u>	<u>48,813</u>
	<u>2,771</u>	<u>48,813</u>
Geographical market		
Mainland China	2,771	48,813
	<u>2,771</u>	<u>48,813</u>
Timing of revenue recognition		
A point in time	1,139	46,132
Overtime	1,632	2,681
	<u>2,771</u>	<u>48,813</u>
	<u>2,771</u>	<u>48,813</u>

Interest under effective interest method

	Six months ended	
	31.1.2023 <i>HK\$'000</i>	31.1.2022 <i>HK\$'000</i>
Interest income from receivables from customers of consumer finance service	14,082	13,977
	<u>14,082</u>	<u>13,977</u>

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.

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, 2023

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross proceeds	<u>1,660</u>	<u>42,322</u>	<u>1,111</u>	<u>14,082</u>	<u>59,175</u>
Segment revenue	<u>1,660</u>	<u>–</u>	<u>1,111</u>	<u>14,082</u>	<u>16,853</u>
Segment (loss) profit	<u>(8,921)</u>	<u>10,612</u>	<u>234</u>	<u>51</u>	1,976
Unallocated income					180
Unallocated expenses					(10,027)
Finance cost					(24)
Share of loss of an associate					<u>(4,392)</u>
Loss before taxation					<u>(12,287)</u>

Six months ended 31st January, 2022

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

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.

Other segment information

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

For the six months ended 31st January, 2023

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Depreciation of property, plant and equipment	(5,677)	-	-	-	(30)	(5,707)
Depreciation of right-of-use assets	(743)	-	-	-	(69)	(812)
Bank interest income	104	1,590	-	260	179	2,133
Interest income from financial assets at FVTPL	-	480	-	-	-	480
	<u>-</u>	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480</u>

For the six months ended 31st January, 2022

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
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)
	<u>(131)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131)</u>

4. OTHER GAIN AND LOSS

	Six months ended	
	31.1.2023 <i>HK\$'000</i>	31.1.2022 <i>HK\$'000</i>
Increase (decrease) in fair value of financial assets at FVTPL	5,175	(41,329)
Increase in fair value of derivative financial instruments	880	-
Dividend income from financial assets at FVTPL	2,564	1,599
	<u>8,619</u>	<u>(39,730)</u>

5. INCOME TAX CREDIT (EXPENSE)

	Six months ended	
	31.1.2023	31.1.2022
	HK\$'000	HK\$'000
Income tax expense comprises:		
Current tax		
PRC land appreciation tax	(161)	(6,110)
Deferred taxation	554	2,203
	<u>393</u>	<u>(3,907)</u>

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 People's Republic of China ("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% for both periods.

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 periods as the subsidiary in the PRC did not generate any assessable profit for both periods.

6. LOSS FOR THE PERIOD

	Six months ended	
	31.1.2023	31.1.2022
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– other hotel operating expenses	5,677	5,532
– administrative expenses	30	146
Depreciation of right-of-use assets	812	2,161
Loss on disposal of property, plant and equipment	–	131
Included in other income:		
– Bank interest income	(2,133)	(385)
– Interest income from financial assets at FVTPL	(480)	(3,810)

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	
	31.1.2023	31.1.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	<u>(9,820)</u>	<u>(57,436)</u>
	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic loss per share	<u>194,337,559</u>	<u>194,337,559</u>

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

8. 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.

	31.1.2023	31.7.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	39	221
31 to 60 days	11	33
61 to 90 days	–	2
91 days or above	<u>334</u>	<u>337</u>
	<u>384</u>	<u>593</u>

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

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

No impairment allowance was recognised for trade receivables based on the provision matrix for both periods.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.1.2023 HK\$'000	31.7.2022 <i>HK\$'000</i>
Listed equity securities in Hong Kong	32,041	52,631
Listed equity securities overseas	7,233	–
Listed debt securities in Hong Kong	28,688	–
Listed debt securities overseas	26,422	–
	<hr/>	<hr/>
	94,384	52,631
	<hr/> <hr/>	<hr/> <hr/>

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.

10. TRADE AND OTHER PAYABLES

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

	31.1.2023 HK\$'000	31.7.2022 <i>HK\$'000</i>
0 to 30 days	23	24
31 to 60 days	35	27
91 days or above	36	18
	<hr/>	<hr/>
	94	69
	<hr/> <hr/>	<hr/> <hr/>

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of HK\$16.9 million for the six months ended 31st January, 2023 (six months ended 31st January, 2022: HK\$62.8 million), which comprised mainly income from consumer finance service of HK\$14.1 million (six months ended 31st January, 2022: HK\$14.0 million); hotel operations of HK\$1.7 million (six months ended 31st January, 2022: HK\$2.8 million); and sale of properties of HK\$1.1 million (six months ended 31st January, 2022: HK\$46.0 million).

Net loss attributable to owners of the Company for the six months ended 31st January, 2023 was HK\$9.8 million, as compared to HK\$57.4 million for the same period last year.

The reduction in loss in the six-month period ended 31st January, 2023 was mainly attributable to the fair value gain of the Group's financial investment portfolio of HK\$6.1 million in compare to the fair value loss of HK\$41.3 million for the six months period ended 31st January, 2022.

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\$209.3 million (31st July, 2022: HK\$336.8 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$94.4 million (31st July, 2022: HK\$52.6 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st January, 2023 (31st July, 2022: Nil).

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds was 4.4% at 31st January, 2023 (31st July, 2022: 18.8%).

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, 2023, 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\$1.1 million has been recognised for the six months ended 31st January, 2023 (six months ended 31st January, 2022: HK\$46.0 million). At 31st January, 2023, deposits for units pending hand over of approximately HK\$2.0 million (31st July, 2022: HK\$2.0 million) was recorded and the unsold saleable floor area of approximately 7.2% 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 operates a money lending service facilitated by a money lender licence held by the Group. The service consists of the provision of unsecured consumer finance in Hong Kong through a self-developed online consumer lending software with AI sourcing to a customer base of approximately 3,400 users as at the period end date (31st July, 2022: approximately 3,400 users). The service maintained a net loan portfolio of HK\$72.3 million (31st July, 2022: HK\$67.2 million) with loans to individual users ranging from HK\$2,000 to HK\$120,000 (31st July, 2022: HK\$2,000 to HK\$120,000). During the period, the loans recorded interest income of HK\$14.1 million (six-month period ended 31st January, 2022: HK\$14.0 million) and impairment losses under expected credit loss model on receivables amounting to HK\$6.4 million (six-month period ended 31st January, 2022: HK\$9.3 million). 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, 2023, the occupancy rate remains at a low level of approximately 5.8% under the effect of the COVID-19 pandemic and recorded a turnover of approximately HK\$1.7 million (six months ended 31st January, 2022: 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 46.2% and turnover of approximately HK\$42.0 million during the period in compared to approximately HK\$51.4 million in the six months ended 31st January, 2022.

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\$39.3 million (31st July, 2022: HK\$52.6 million) and marketable debt securities of HK\$55.1 million (31st July, 2022: no carrying value).

Listed equity securities of HK\$39.3 million (31st July, 2022: HK\$52.6 million), representing approximately 41.6% (31st July, 2022: 100.0%) of the investment portfolio, consist of 3 equity securities (31st July, 2022: 3 equity securities) of which 2 equity securities (31st July, 2022: 3 equity securities) listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and 1 equity securities (31st July, 2022: Nil) on the New York Stock Exchange. The mark to market valuation of the largest single equity security within the portfolio represents approximately 3.6% (31st July, 2022: 3.5%) of the Group's total assets, and that of the three (31st July, 2022: three) largest equity securities held represents approximately 4.7% (31st July, 2022: 5.4%). Approximately 81.6% (31st July, 2022: 90.0%) of these equity securities are constituents of the Hang Seng Index.

During the period, the equity portfolio gave rise to a net fair value gain of HK\$5.1 million (six months ended 31st January, 2022: fair value gain of HK\$9.9 million) and dividend income of HK\$2.6 million (six months ended 31st January, 2022: HK\$1.6 million).

As at 31st January, 2023, the Group had 5 listed (31st July, 2022: Nil) and 1 (31st July, 2022: 1) unlisted debt securities representing approximately 58.4% (31st July, 2021: 0.0%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 1.8% (31st July, 2022: 0.0%) of the Group's total assets, and that of the five (31st July, 2022: one) largest debt securities held represents approximately 6.5% (31st July, 2022: 0.0%) of the Group's total assets. As at the period end date, the remaining 1 debt securities represent 0.0% of the Group's total assets. All these debt securities are related to Hong Kong and Mainland China based real estate companies.

During the period, the debts portfolio gave rise to a net fair value gain of HK\$0.1 million (six-month period ended 31st January, 2022: fair value loss of HK\$51.3 million) and interest income of HK\$0.5 million (six-month period ended 31st January, 2022: HK\$3.8 million).

The Group also entered into certain derivative contracts in relation to the listed equity securities held by the Group. As at 31st January, 2023, the Group has derivative liabilities of HK\$0.2 million (31st July, 2022: HK\$1.0 million) and recorded a fair value gain of HK\$0.9 million for the period (six-month period ended 31st January, 2022: Nil).

PROSPECTS

The Group maintained a healthy financial position throughout the COVID-19 pandemic and believes that recent relaxation of the COVID-19 restrictions will bring positive impact on the PRC and local economies.

The Board will closely monitor the development of global economies following relaxation of various COVID-19 preventive measures and formulate strategies and plans to utilise its resources effectively. The Directors will endeavour to capture viable business opportunities to maintain sustainable long term growth of the Group.

CONTINGENT LIABILITY

At 31st January, 2023, the Group provided guarantees of approximately HK\$16.0 million (31st July, 2022: HK\$16.0 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.

PLEDGE OF ASSETS

At 31st January, 2023, bank deposit of HK\$645,000 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, 2023 (31st July, 2022: 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.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2023.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2023 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:

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.

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, 2023.

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

During the six months ended 31st January, 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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

Hong Kong, 30th March, 2023

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.