



CAPITAL ESTATE LIMITED  
冠中地產有限公司

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

**INTERIM REPORT**  
**2022/2023**



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Tsui Wing Tak (*Chairman*)  
Chu Nin Yiu, Stephen (*Chief Executive Officer*)

#### Non-Executive Director

Lam Yiu Cho

#### Independent Non-Executive Directors

Yeung Chi Wai  
Wong Kwong Fat  
Chan Shu Yan, Stephen

### COMPANY SECRETARY

Cham Wing Yeung, Andrew

### AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen  
Cham Wing Yeung, Andrew

### AUDIT COMMITTEE

Yeung Chi Wai (*Chairman*)  
Wong Kwong Fat  
Chan Shu Yan, Stephen

### REMUNERATION COMMITTEE

Chan Shu Yan, Stephen (*Chairman*)  
Wong Kwong Fat  
Yeung Chi Wai  
Chu Nin Yiu, Stephen

### NOMINATION COMMITTEE

Wong Kwong Fat (*Chairman*)  
Yeung Chi Wai  
Chan Shu Yan, Stephen  
Chu Nin Yiu, Stephen

### LEGAL ADVISER

Dechert

### AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited  
Industrial and Commercial Bank of  
China (Asia) 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

13th Floor, Bonham Circus  
40 Bonham Strand  
Sheung Wan  
Hong Kong

### STOCK CODE

193

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2023

	NOTES	Six months ended	
		31.1.2023 HK\$'000 (unaudited)	31.1.2022 HK\$'000 (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		(1,346)	(1,358)
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		(24)	(73)
Loss before taxation		(12,287)	(52,526)
Income tax credit (expense)	5	393	(3,907)
Loss for the period	6	(11,894)	(56,433)
<b>Other comprehensive (expense) income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(789)	5,767
Total comprehensive expense for the period		(12,683)	(50,666)
Loss for the period attributable to:			
Owners of the Company		(9,820)	(57,436)
Non-controlling interests		(2,074)	1,003
		(11,894)	(56,433)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(10,411)	(53,111)
Non-controlling interests		(2,272)	2,445
		(12,683)	(50,666)
Loss per share			
Basic – HK cents	7	(5.05)	(29.56)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2023

	NOTES	31.1.2023 HK\$'000 (unaudited)	31.7.2022 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	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	9	17,048	15,501
		<b>407,243</b>	<b>417,251</b>
<b>Current assets</b>			
Properties held for sale		41,713	42,368
Inventories		620	700
Trade and other receivables	10	24,969	21,297
Receivables from customers of consumer finance service	9	55,296	51,674
Amount due from an associate	17(b)	8,009	8,031
Prepaid income tax		1,696	50,151
Financial assets at fair value through profit or loss ("FVTPL")	11	94,384	52,631
Pledged bank deposit	16	645	644
Bank balances and cash		208,697	336,137
		<b>436,029</b>	<b>563,633</b>
<b>Current liabilities</b>			
Trade and other payables	12	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	17(b)	2,068	2,068
Tax payable		2,009	121,924
		<b>15,143</b>	<b>139,455</b>
<b>Net current assets</b>		<b>420,886</b>	<b>424,178</b>
<b>Total assets less current liabilities</b>		<b>828,129</b>	<b>841,429</b>
<b>Non-current liability</b>			
Deferred tax liability		22,740	23,357
<b>Net assets</b>		<b>805,389</b>	<b>818,072</b>
<b>Capital and reserves</b>			
Share capital	13	1,518,519	1,518,519
Reserves		(665,132)	(654,721)
Equity attributable to owners of the Company		853,387	863,798
Non-controlling interests		(47,998)	(45,726)
<b>Total equity</b>		<b>805,389</b>	<b>818,072</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2023

	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, 2021 (audited)	1,518,519	157	23,542	170,583	8,507	51,510	(73,778)	(728,542)	970,498	(36,850)	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
Balance at 1st August, 2022 (audited)	1,518,519	157	23,542	170,583	62	51,510	(73,778)	(826,797)	863,798	(45,726)	818,072
Loss for the period	-	-	-	-	-	-	-	(9,820)	(9,820)	(2,074)	(11,894)
Other comprehensive expense for the period	-	-	-	-	(591)	-	-	-	(591)	(198)	(789)
Total comprehensive expense for the period	-	-	-	-	(591)	-	-	(9,820)	(10,411)	(2,272)	(12,683)
Balance at 31st January, 2023 (unaudited)	1,518,519	157	23,542	170,583	(529)	51,510	(73,778)	(836,617)	853,387	(47,998)	805,389

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2023

	Six months ended	
	31.1.2023 HK\$'000 (unaudited)	31.1.2022 HK\$'000 (unaudited)
<b>Net cash from operating activities</b>		
Loss before taxation	(12,287)	(52,526)
Depreciation of property, plant and equipment	5,707	5,678
Impairment loss under ECL model, net	6,440	9,278
Share of loss of an associate	4,392	10,984
(Increase) decrease in fair value of financial assets at FVTPL	(5,175)	41,329
Increase in fair value of derivative financial instruments	(880)	–
Decrease in properties held for sale	541	27,696
Increase in trade and other receivables	(3,691)	(1,009)
Increase in receivables from customers of consumer finance service	(11,608)	(23,486)
(Increase) decrease in financial assets at FVTPL	(36,578)	146,612
Decrease in trade and other payables	(3,450)	(16,898)
Decrease in contract liabilities	–	(21,674)
Income tax paid	(71,430)	(1,987)
Other items	(1,031)	2,192
	<b>(129,050)</b>	126,189
<b>Net cash from investing activities</b>		
Interest received	1,958	215
<b>Net cash used in financing activities</b>		
Repayment of advances from related parties	–	(7,062)
Repayments of lease liabilities	(40)	(1,442)
Interest paid	(24)	(76)
	<b>(64)</b>	(8,580)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(127,156)</b>	117,824
<b>Cash and cash equivalents at beginning of the period</b>	<b>336,137</b>	221,755
<b>Effect of foreign exchange rate changes</b>	<b>(284)</b>	2,366
<b>Cash and cash equivalents at end of the period,</b> represented by bank balances and cash	<b>208,697</b>	341,945

# 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 HK\$'000	31.1.2022 HK\$'000
<b>Type of goods or service</b>		
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
	<b>2,771</b>	<b>48,813</b>
<b>Geographical market</b>		
Mainland China	2,771	48,813
<b>Timing of revenue recognition</b>		
A point in time	1,139	46,132
Overtime	1,632	2,681
	<b>2,771</b>	<b>48,813</b>

#### Interest under effective interest method

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

#### 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

### 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

#### 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)

### 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.

#### 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 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	(5,677)	-	-	-	(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

#### 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)

#### 4. OTHER GAIN AND LOSS

	Six months ended	
	31.1.2023 HK\$'000	31.1.2022 HK\$'000
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
	<b>8,619</b>	<b>(39,730)</b>

#### 5. INCOME TAX CREDIT (EXPENSE)

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

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 HK\$'000	31.1.2022 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 HK\$'000	31.1.2022 HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	(9,820)	(57,436)
	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 earnings 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 ended 31st January, 2022, 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, 2023: nil).

In addition, the Group disposed of certain property, plant and equipment during the period ended 31st January, 2022 with an aggregate carrying amount of HK\$131,000 for no sales proceeds, resulting in a loss on disposal of HK\$131,000. No property, plant and equipment was disposed of during the period ended 31st January, 2023.

## 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, 2022: HK\$2,000 to HK\$120,000). The receivables are unsecured and carry interest at fixed rate ranged from 20% to 48% (31st July, 2022: from 26% to 48%) 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, 2023, impairment losses under ECL model amounting to HK\$13,290,000 (31st July, 2022: HK\$12,634,000) are recognised. At the end of reporting period, aggregate net balances with customers of consumer finance service with payment past due are HK\$1,035,000 (31st July, 2022: HK\$1,153,000).

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:

	31.1.2023 HK\$'000	31.7.2022 HK\$'000
Within one month	4,268	4,164
Six months or less but over one month	24,696	22,910
One year or less but over six months	26,332	24,600
Over one year	17,048	15,501
	<b>72,344</b>	67,175
Analysed as:		
Current portion	55,296	51,674
Non-current portion	17,048	15,501
	<b>72,344</b>	67,175

## 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.

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

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.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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.

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

## 13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1st August, 2021, 31st July, 2022 and 31st January, 2023	194,337,559	1,518,519

## 14. SHARE-BASED PAYMENT TRANSACTIONS

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

No share option was granted or remained outstanding under the scheme during both periods and before expiry of the scheme.

## 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).

## 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs and sensitivity analysis
	31.1.2023 HK\$'000	31.7.2022 HK\$'000			
Listed equity securities at FVTPL	39,274	52,631	Level 1	Quoted bid prices in active market	N/A
Listed debt securities at FVTPL	55,110	–	Level 1	Quoted bid prices in active market	N/A
Accumulator contracts	–	(908)	Level 2	Black-Scholes model with Monte Carlo Simulation method	N/A
Decumulator contract	(161)	(133)	Level 2	Black-Scholes model with Monte Carlo Simulation method	N/A

There were no 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 2023, bank deposit of HK\$645,000 (31st July, 2022: HK\$644,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (31st July, 2022: HK\$600,000) granted to the Group. No credit facility was utilised by the Group as at 31st January, 2023 and 31st July, 2022.

## 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	
	31.1.2023 HK\$'000	31.1.2022 HK\$'000
Short-term benefits	1,411	2,812
Post-employment benefits	–	17
	1,411	2,829

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.

## 17. RELATED PARTY DISCLOSURES (Continued)

### (b) Related party transactions

During the period, the Group entered into the following transaction with a related party:

Related party	Nature of transaction	Six months ended	
		31.1.2023 HK\$'000	31.1.2022 HK\$'000
Related company (Note)	Expense related to short-term leases	721	–

Note: The related company is controlled by a director of the Company who is also a shareholder of the Company.

### (c) 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:

	31.1.2023 HK\$'000	31.7.2022 HK\$'000
Non-controlling shareholders of certain subsidiaries of the Company	2,068	2,068

## 18. FINANCIAL GUARANTEES

At 31st January, 2023, the Group provided guarantees of HK\$16,000,000 (31st July, 2022: HK\$16,043,000) 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, 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, 2022: 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.

## OTHER INFORMATION

### SHARE OPTIONS

Pursuant to a resolution passed on 7th December, 2012, a share option scheme was adopted (the "Scheme"). The Scheme was expired on 6th December, 2022.

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

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

At 31st January, 2023, 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)		
Tsui Wing Tak ("Mr. Tsui")	–	–	55,000,000 (Note 1)	55,000,000	28.3%
Chu Nin Yiu, Stephen ("Mr. Chu")	16,240,750	–	31,650,555 (Note 2)	47,891,305	24.6%

Notes:

1. Mr. Tsui was deemed to be interested in the 55,000,000 shares in the Company held through AE Majoris Global Investment Limited ("AE Majoris"), which is in turn wholly owned by Mr. Tsui.
2. Mr. Chu was deemed to be interested in the 31,650,555 shares in the Company held through Supervalve Holdings Limited ("Supervalve"), 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, 2023.

## 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, 2023, 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)		
AE Majoris	55,000,000	–	–	55,000,000	28.3%
Mr. Tsui	–	–	55,000,000 (Note 1)	55,000,000	28.3%
Supervalue	31,650,555	–	–	31,650,555	16.3%
Mr. Chu	16,240,750	–	31,650,555 (Note 2)	47,891,305	24.6%

Notes:

1. Mr. Tsui was deemed to be interested in the 55,000,000 shares in the Company held through AE Majoris, which is in turn wholly owned by Mr. Tsui.
2. Mr. Chu was deemed to be interested in the 31,650,555 shares in the Company held through Supervalue, which is in turn wholly owned by Mr. Chu.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st January, 2023.

## 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 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. Yeung Chi Wai, Mr. Wong Kwong Fat and Mr. Chan Shu Yan, Stephen as independent non-executive directors.*