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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, 2024**

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, 2024 together with the comparative figures for the six months ended 31st January, 2023 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2024

	<i>NOTES</i>	Six months ended	
		31.1.2024 <i>HK\$'000</i> (unaudited)	31.1.2023 <i>HK\$'000</i> (unaudited)
Revenue			
Contracts with customers	3	10,839	2,771
Interest under effective interest method	3	14,042	14,082
Cost of sales		(2,836)	(542)
Direct operating costs		(1,958)	(1,346)
		<hr/>	<hr/>
Gross profit		20,087	14,965
Other income		9,060	5,924
Other gain and loss	4	2,218	8,619
Impairment losses under expected credit loss (“ECL”) model, net		(5,443)	(6,440)
Marketing expenses		(2,457)	(3,023)
Administrative expenses		(21,820)	(21,496)
Other hotel operating expenses		(5,677)	(6,420)
Share of profit (loss) of an associate		8,939	(4,392)
Finance cost		(2)	(24)
		<hr/>	<hr/>
Profit (loss) before taxation		4,905	(12,287)
Income tax credit	5	45	393
		<hr/>	<hr/>

	NOTES	Six months ended	
		31.1.2024 HK\$'000 (unaudited)	31.1.2023 HK\$'000 (unaudited)
Profit (loss) for the period	6	<u>4,950</u>	<u>(11,894)</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(862)</u>	<u>(789)</u>
Total comprehensive income (expense) for the period		<u><u>4,088</u></u>	<u><u>(12,683)</u></u>
Profit (loss) for the period attributable to:			
Owners of the Company		<u>6,326</u>	<u>(9,820)</u>
Non-controlling interests		<u>(1,376)</u>	<u>(2,074)</u>
		<u><u>4,950</u></u>	<u><u>(11,894)</u></u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<u>5,658</u>	<u>(10,411)</u>
Non-controlling interests		<u>(1,570)</u>	<u>(2,272)</u>
		<u><u>4,088</u></u>	<u><u>(12,683)</u></u>
Earning (loss) per share			
Basic – <i>HK cents</i>	7	<u><u>3.26</u></u>	<u><u>(5.05)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST JANUARY, 2024

	<i>NOTES</i>	31.1.2024 HK\$'000 (unaudited)	31.7.2023 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		194,694	191,070
Right-of-use assets		25,151	25,924
Interest in an associate		153,814	144,875
Deposit and prepayment for a life insurance policy		11,550	11,560
Receivables from customers of consumer finance service		14,545	17,510
		<hr/> 399,754	<hr/> 390,939
Current assets			
Properties held for sale		36,291	39,242
Inventories		327	481
Trade and other receivables	<i>8</i>	39,708	33,531
Receivables from customers of consumer finance service		49,348	60,320
Amount due from an associate		7,502	7,524
Prepaid income tax		2,186	1,595
Financial assets at fair value through profit or loss (“FVTPL”)	<i>9</i>	100,347	78,367
Pledged bank deposit		649	646
Bank balances and cash		169,161	191,297
		<hr/> 405,519	<hr/> 413,003
Current liabilities			
Trade and other payables	<i>10</i>	6,688	11,063
Contract liabilities		3,840	2,110
Amounts due to related parties		2,068	2,068
Tax payable		2,496	1,890
		<hr/> 15,092	<hr/> 17,131
Net current assets		<hr/> 390,427	<hr/> 395,872
Total assets less current liabilities		<hr/> 790,181	<hr/> 786,811

	31.1.2024 <i>HK\$'000</i> (unaudited)	31.7.2023 <i>HK\$'000</i> (audited)
Non-current liability		
Deferred tax liability	<u>20,183</u>	<u>20,901</u>
Net assets	<u>769,998</u>	<u>765,910</u>
Capital and reserves		
Share capital	1,518,519	1,518,519
Reserves	<u>(692,898)</u>	<u>(698,556)</u>
Equity attributable to owners of the Company	825,621	819,963
Non-controlling interests	<u>(55,623)</u>	<u>(54,053)</u>
Total equity	<u>769,998</u>	<u>765,910</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2024

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, 2023 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, 2023 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, 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st July, 2023.

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, 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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	
	31.1.2024 <i>HK\$'000</i>	31.1.2023 <i>HK\$'000</i>
Type of goods or service		
Revenue from hotel operations		
– Room rentals	6,300	1,632
– Food and beverage sales	288	18
– Rendering of ancillary services	40	10
Revenue from sale of properties held for sale	4,211	1,111
	<u>10,839</u>	<u>2,771</u>
Geographical market		
Mainland China	<u>10,839</u>	<u>2,771</u>
Timing of revenue recognition		
A point in time	4,539	1,139
Overtime	6,300	1,632
	<u>10,839</u>	<u>2,771</u>

Interest under effective interest method

	Six months ended	
	31.1.2024 <i>HK\$'000</i>	31.1.2023 <i>HK\$'000</i>
Interest income from receivables from customers of consumer finance service	<u>14,042</u>	<u>14,082</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, 2024

	Hotel operations	Financial investment	Property	Consumer finance	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross proceeds	<u>6,628</u>	<u>15,823</u>	<u>4,211</u>	<u>14,042</u>	<u>40,704</u>
Segment revenue	<u>6,628</u>	<u>–</u>	<u>4,211</u>	<u>14,042</u>	<u>24,881</u>
Segment (loss) profit	<u>(6,734)</u>	<u>6,139</u>	<u>1,190</u>	<u>(1,470)</u>	<u>(875)</u>
Unallocated income					2,983
Unallocated expenses					(6,140)
Finance cost					(2)
Share of profit of an associate					<u>8,939</u>
Profit before taxation					<u>4,905</u>

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>

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, 2024

	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	(4,980)	–	–	(15)	(74)	(5,069)
Depreciation of right-of-use assets	(697)	–	–	–	–	(697)
Bank and other interest income	10	8	–	199	2,984	3,201
Interest income from financial assets at FVTPL	–	3,937	–	–	–	3,937
Gain on disposal of property, plant and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>355</u>	<u>355</u>

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 and other 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>

4. OTHER GAIN AND LOSS

	Six months ended	
	31.1.2024	31.1.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in fair value of financial assets at FVTPL	2,218	5,175
Increase in fair value of derivative financial instruments	–	880
Dividend income from financial assets at FVTPL	–	2,564
	<u>2,218</u>	<u>8,619</u>

5. INCOME TAX CREDIT

	Six months ended	
	31.1.2024	31.1.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income tax expense comprises:		
Current tax		
PRC land appreciation tax	(611)	(161)
Deferred taxation	656	554
	<u>45</u>	<u>393</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. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	31.1.2024	31.1.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– other hotel operating expenses	4,980	5,677
– administrative expenses	89	30
Depreciation of right-of-use assets	697	812
Included in other income:		
– Bank and other interest income	(3,201)	(2,133)
– Interest income from financial assets at FVTPL	(3,937)	(480)
– Gain on disposal of property, plant and equipment	(355)	–
	<u> </u>	<u> </u>

7. EARNING (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	
	31.1.2024	31.1.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period attributable to owners of the Company for the purposes of basic loss per share	<u>6,326</u>	<u>(9,820)</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.

	31.1.2024 <i>HK\$'000</i>	31.7.2023 <i>HK\$'000</i>
0 to 30 days	322	274
31 to 60 days	4	190
61 to 90 days	454	5
91 days or above	320	333
	<hr/> 1,100 <hr/>	<hr/> 802 <hr/>

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

	31.1.2024 <i>HK\$'000</i>	31.7.2023 <i>HK\$'000</i>
Listed debt securities in Hong Kong	21,512	28,341
Listed debt securities overseas	78,835	50,026
	<hr/> 100,347 <hr/>	<hr/> 78,367 <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.

	31.1.2024 <i>HK\$'000</i>	31.7.2023 <i>HK\$'000</i>
0 to 30 days	162	62
31 to 60 days	61	52
61 to 90 days	57	28
91 days or above	136	54
	<hr/> 416 <hr/>	<hr/> 196 <hr/>

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of HK\$24.9 million for the six months ended 31st January, 2024 (six months ended 31st January, 2023: HK\$16.9 million), which comprised mainly income from consumer finance service of HK\$14.0 million (six months ended 31st January, 2023: HK\$14.1 million); hotel operations of HK\$6.6 million (six months ended 31st January, 2023: HK\$1.7 million); and sale of properties of HK\$4.2 million (six months ended 31st January, 2023: HK\$1.1 million).

Net profit attributable to owners of the Company for the six months ended 31st January, 2024 was HK\$6.3 million, as compared to net loss of HK\$9.8 million for the same period last year.

The turnaround from loss to profit in the six-month period ended 31st January, 2024 was mainly attributable to the increase in revenue from the Group's hotel operations and sales of properties and share of profit of an associate of HK\$8.9 million in compare to the share of loss of HK\$4.4 million for the six months period ended 31st January, 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2024, the Group had bank balances and cash of HK\$169.8 million (31st July, 2023: HK\$191.9 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$100.3 million (31st July, 2023: HK\$78.4 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st January, 2024 (31st July, 2023: Nil).

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds was 4.3% at 31st January, 2024 (31st July, 2023: 4.6%).

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, 2024, 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\$4.2 million has been recognised for the six months ended 31st January, 2024 (six months ended 31st January, 2023: HK\$1.1 million). At 31st January, 2024, deposits for units pending hand over of approximately HK\$3.6 million (31st July, 2023: HK\$1.9 million) was recorded and the unsold saleable floor area of approximately 6.7% of this high-rise residential development, which mainly attributable to approximately 165 car park space, is expected to further contribute to the Group's revenue in the near term.

CONSUMER FINANCE

The Group has involved in consumer finance sector in Hong Kong through self-developed online platform with AI credit risk modeling serving approximately 3,200 active users as at the period end date (31st July, 2023: approximately 3,500 users). The service maintained a net loan portfolio of HK\$63.9 million (31st July, 2023: HK\$77.8 million) with loans to individual users ranging from HK\$2,000 to HK\$300,000 (31st July, 2023: HK\$2,000 to HK\$120,000) with credit period up to 36 months (31st July, 2023: 36 months). The receivables are unsecured and carry interest at fixed rate ranged from 4% to 48% (31st July, 2023: 26% to 48%) which is determined based on factors including loan term, principal amount and credit history of individual customer. Loan granted to approximately 75% (31st July, 2023: 74%) of the customers are with principal amount of HK\$40,000 or below and approximately 78% (31st July, 2023: 82%) with credit period of 18 months or less. Gross receivable from the largest borrower and the five largest borrowers in aggregate, are below 1% of the net loan portfolio as at 31st January, 2024 and 31st July, 2023.

During the period, the loans recorded interest income of HK\$14.0 million (six-month period ended 31st January, 2023: HK\$14.1 million) and impairment losses under expected credit loss model on receivables amounting to HK\$5.4 million (six-month period ended 31st January, 2023: HK\$6.4 million).

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, 2024, the hotel operation recovering gradually from the effect of COVID-19 pandemic and recorded occupancy rate of approximately 22.4% and turnover of approximately HK\$6.6 million (six months ended 31st January, 2023: HK\$1.7 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 97.9% and turnover of approximately HK\$101.2 million during the period in compared to approximately HK\$42.0 million in the six months ended 31st January, 2023.

FINANCIAL INVESTMENTS

The Group continues its securities investment and 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 January, 2024, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of marketable debt securities of HK\$100.3 million (31st July, 2023: HK\$78.4 million).

As at 31st January, 2024, the Group had 6 listed (31st July, 2023: 6) and 1 (31st July, 2023: 1) unlisted debt securities representing approximately 100.0% (31st July, 2023: 100.0%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 3.7% (31st July, 2023: 2.8%) of the Group's total assets, and that of the five largest debt securities held represents approximately 12.2% (31st July, 2023: 9.4%) of the Group's total assets. As at the period end date, the remaining 2 (31st July, 2023: 2) debt securities held represent 0.2% (31st July, 2023: 0.4%) of the Group's total assets, each ranging from 0.0% to 0.2% (31st July, 2023: 0.0% to 0.4%). Approximately 56.9% (31st July, 2023: 71.1%) of these debt securities are related to PRC based real estate companies.

During the period, the debts portfolio gave rise to a net fair value gain of HK\$2.5 million (six-month period ended 31st January, 2023: fair value gain of HK\$0.1 million) and interest income of HK\$3.9 million (six-month period ended 31st January, 2023: HK\$0.5 million).

The Group held no listed equity security as at 31st January, 2023 (31st July, 2023: Nil). During the period, the equity portfolio gave rise to a net fair value loss of HK\$0.2 million (six months ended 31st January, 2023: fair value gain of HK\$5.1 million) and no dividend income (six months ended 31st January, 2023: HK\$2.6 million).

During the year ended 31st July, 2022, the Group entered into certain derivative contracts in relation to the listed equity securities held by the Group and recorded a fair value gain of HK\$0.9 million during the six-month period ended 31st January, 2023.

PROSPECTS

The Group maintained a healthy financial position throughout the COVID-19 pandemic. Although the general economic activity is still below pre-covid-19 level, the Group's business, especially the hotel operation, continues to show improvement after the relaxation of COVID-19 restrictions.

The Board will continue to closely monitor the global economies development, formulate strategies and plans to utilise its resources effectively to boost up the Group's operations and capture viable business opportunities to maintain sustainable long term growth.

CONTINGENT LIABILITY

At 31st January, 2024, the Group provided guarantees of approximately HK\$11.5 million (31st July, 2023: HK\$15.1 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, 2024, bank deposit of HK\$649,000 of the Group was pledged to a bank to secure credit facilities to the extent of HK\$600,000 granted to the Group, of which HK\$2,000 was utilised by the Group (31st July, 2023: 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, 2024.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2024 with all applicable provisions of the Corporate Governance Code (the "Code") as set out in Appendix C1 (formerly Appendix 14) of the Listing Rules except for the following deviation:

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 C3 (formerly 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, 2024.

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

During the six months ended 31st January, 2024, 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
Sio Lai Na
Chairman

Hong Kong, 27th March, 2024

As at the date of this announcement, the Board comprises Ms. Sio Lai Na, Mr. Chu Nin Yiu, Stephen as executive directors, Ms. Sio Lai Nga as non-executive director and Mr. Yeung Chi Wai, Mr. Wong Kwong Fat and Mr. Chan Shu Yan, Stephen as independent non-executive directors.