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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST JULY, 2020

The board of directors (the “Board”) of Capital Estate Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st July, 2020, together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st July, 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	100,318	432,212
Cost of sales		(42,872)	(230,503)
Direct operating costs		(23,750)	(44,698)
Gross profit		33,696	157,011
Other gains and losses	5	6,797	108,944
Other income		28,110	15,182
Marketing expenses		(6,821)	(11,959)
Administrative expenses		(57,975)	(59,065)
Other hotel operating expenses		(12,310)	(12,463)
Share of (loss) profit of an associate		(21,224)	18,903
Finance costs	6	(18)	–
(Loss) profit before taxation		(29,745)	216,553
Income tax expense	7	(2,459)	(55,149)
(Loss) profit for the year	8	(32,204)	161,404

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other comprehensive expense:			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		–	(13,640)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Release of exchange reserve upon deregistration of a subsidiary		(1,138)	–
Exchange differences arising on translation of foreign operations		(12,174)	(5,089)
		<u>(13,312)</u>	<u>(18,729)</u>
Other comprehensive expense for the year		(13,312)	(18,729)
		<u>(45,516)</u>	<u>142,675</u>
Total comprehensive (expense) income for the year			
(45,516)			
(Loss) profit for the year attributable to:			
Owners of the Company		(29,497)	149,957
Non-controlling interests		(2,707)	11,447
		<u>(32,204)</u>	<u>161,404</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(39,705)	132,528
Non-controlling interests		(5,811)	10,147
		<u>(45,516)</u>	<u>142,675</u>
(Loss) earnings per share			
Basic – HK cents	9	(15.2)	77.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st July, 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		227,928	244,730
Right-of-use assets		36,097	–
Prepaid lease payments		–	2,005
Premium on prepaid lease payments		–	30,809
Interest in an associate		200,111	221,335
Financial assets at fair value through other comprehensive income		–	–
Deposit and prepayment for a life insurance policy		11,644	11,675
		475,780	510,554
Current assets			
Properties held for sale		128,576	176,292
Inventories		1,446	2,100
Trade and other receivables	<i>10</i>	17,173	8,057
Amount due from an associate		7,226	5,736
Prepaid lease payments		–	92
Prepaid income tax		15,797	14,853
Financial assets at fair value through profit or loss		217,283	250,955
Pledged bank deposit		643	643
Bank balances and cash		332,456	356,316
		720,600	815,044
Current liabilities			
Trade and other payables	<i>11</i>	11,826	42,014
Contract liabilities		21,161	32,782
Lease liabilities		2,727	–
Amounts due to related parties		121,490	163,529
Tax payable		71,341	72,458
		228,545	310,783
Net current assets		492,055	504,261
Total assets less current liabilities		967,835	1,014,815

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liability	29,405	33,841
Lease liabilities	2,972	–
	<u>32,377</u>	<u>33,841</u>
Net assets	<u>935,458</u>	<u>980,974</u>
Capital and reserves		
Share capital	1,518,519	1,518,519
Reserves	(534,686)	(494,981)
Equity attributable to owners of the Company	983,833	1,023,538
Non-controlling interests	(48,375)	(42,564)
Total equity	<u>935,458</u>	<u>980,974</u>

1. GENERAL

Capital Estate Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is Unit 1701, 17/F., YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong.

The Company acts as an investment holding company.

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

HKFRS 16 “Leases” (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st August, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st August, 2019. As at 1st August, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

	At 1st August, 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31st July, 2019	2,974
<i>Less:</i> Recognition exemption – short-term leases	(197)
Practical expedient – leases with lease term ending within 12 months from the date of initial application	(2,629)
Other (note)	(148)
	–
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1st August, 2019	–

Note: Relevant lease agreement was terminated early during the period. The directors of the Company considered the impact from early termination of such lease agreement is immaterial to the consolidated financial statements and thus no right-of-use asset was recognised as at 1st August, 2019 in relation to this lease agreement.

The carrying amount of right-of-use assets as at 1st August, 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	–
Reclassified from prepaid lease payment and premium on prepaid lease payments (note)	32,906
	32,906
	32,906
By class:	
Leasehold land	32,906

Note: Upfront payments for leasehold lands in the People’s Republic of China (the “PRC”) were classified as prepaid lease payment and premium on prepaid lease payments as at 31st July, 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payment and premium on prepaid lease payments amounting to HK\$2,097,000 and HK\$30,809,000, respectively, were reclassified to right-of-use assets.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁶
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁶
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ⁶

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020.

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

⁴ Effective for annual periods beginning on or after 1st January, 2020.

⁵ Effective for annual periods beginning on or after 1st June, 2020.

⁶ Effective for annual periods beginning on or after 1st January, 2022.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, “the Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1st January, 2020.

Except for the amendments to HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual periods beginning on 1st August, 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1st August, 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1st August, 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets” (“HKAS 36”).

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial information relating to the years ended 31st July, 2020 and 2019 included in this preliminary announcement of annual results 2020 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31st July, 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st July, 2020 in due course.

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

4. SEGMENT INFORMATION

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

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

Information regarding these segments is reported below.

Segment revenue and results

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

For the year ended 31st July, 2020

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
GROSS PROCEEDS	<u>33,721</u>	<u>217,325</u>	<u>66,597</u>	<u>317,643</u>
SEGMENT REVENUE	<u>33,721</u>	<u>–</u>	<u>66,597</u>	<u>100,318</u>
SEGMENT (LOSS) PROFIT	<u>(34,146)</u>	<u>13,709</u>	<u>20,629</u>	192
Unallocated income				6,330
Unallocated expenses				(27,143)
Finance costs				(18)
Gain on deregistration of a subsidiary				1,138
Share of loss of an associate				(21,224)
Gain on transfer of other payable				<u>10,980</u>
Loss before taxation				<u>(29,745)</u>

For the year ended 31st July, 2019

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
GROSS PROCEEDS	<u>71,119</u>	<u>66,997</u>	<u>361,093</u>	<u>499,209</u>
SEGMENT REVENUE	<u>71,119</u>	<u>–</u>	<u>361,093</u>	<u>432,212</u>
SEGMENT (LOSS) PROFIT	<u>(14,243)</u>	<u>(1,006)</u>	<u>233,788</u>	218,539
Unallocated income				1,845
Unallocated expenses				(24,649)
Gain on disposal of subsidiaries				1,915
Share of profit of an associate				<u>18,903</u>
Profit before taxation				<u>216,553</u>

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, gain on transfer of other payable, gain on deregistration of a subsidiary, gain on disposal of subsidiaries, central administration costs, directors' salaries, share of profit/loss of an associate and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gain on transfer of other payable (<i>note i</i>)	10,980	–
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	2,350	2,089
Gain on deregistration of a subsidiary	1,138	–
Decrease in fair value of financial assets at FVTPL	(7,671)	(13,064)
Gain on disposal of subsidiaries	–	1,915
Settlement consideration (<i>note ii</i>)	–	118,004
	<u>6,797</u>	<u>108,944</u>

Notes:

- (i) Upon deregistration of a subsidiary, a payable to an independent third party was transferred to the non-controlling shareholder of the subsidiary, which is a non-cash transaction during the year.
- (ii) The Group had a property development project in Macau (the “Macau Properties”) which has been recorded as property for development. The Group has submitted application and development plan to the relevant Macau government authorities since 2007 and continued to liaise with the government authorities in relation to obtaining approval. The Group did not commence construction activities of the Macau Properties pending government approval on the revised development plan.

On 5th August, 2016, the Company, through Sun Fat Investment and Industry Company Limited (“Sun Fat”), an indirect 99% owned subsidiary of the Company, received a written notification from the Land, Public Works and Transport Bureau of Macau (the “Notification”) informing that, among others, the parcel of land regarding the Macau Properties (the “Macau Land”) shall be returned to the government of Macau upon expiry of the valid period of the land grant with no responsibility or burden and Sun Fat shall not be entitled to any compensation. Sun Fat lodged a judicial appeal in September 2016.

Based on the register of the Properties Registration Bureau of Macau which is publicly available, Sun Fat’s title on the Macau Land was deregistered on 28th July, 2016. Accordingly, the Group derecognised the Macau Properties with a carrying amount of HK\$60,000,000, comprising cost incurred less cumulative impairment loss of HK\$241,233,000, which was recognised in profit or loss during the year ended 31st July, 2016.

On 26th August, 2016, the Group, through two wholly owned subsidiaries (the “Two Intermediate Holdco”), entered into deeds of settlement with Kong Kei Construction Limited (“Kong Kei”), vendor of 99% equity interest of Sun Fat, and a warrantor to Kong Kei (the “Warrantor”). Pursuant to the deeds of settlement, as the Group could not obtain approval from the relevant Macau government authorities in respect of the amendment of the land lease concession of the Macau Land and in light of the Notification, Kong Kei and the Warrantor agreed to repay to the Group an aggregate sum of approximately HK\$298.0 million (the “Settlement Sum”) which was the actual amount paid by the Group through the Two Intermediate Holdco to Kong Kei for the acquisition of 99% equity interest of Sun Fat.

During the year ended 31st July, 2019, HK\$118,004,000 of the settlement sum was received by the Group which was recognised in profit or loss in the year. Up to 31st July, 2019, the Group has received the full Settlement Sum from Kong Kei.

Further details of the above are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016, 26th August, 2016, 29th January, 2019 and 18th March, 2019.

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on lease liabilities	<u>18</u>	<u>–</u>

7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Tax expense (credit) comprises:		
PRC enterprise income tax		
Current tax	–	27,427
Overprovision in prior year	<u>(1,681)</u>	<u>–</u>
	(1,681)	27,427
PRC land appreciation tax		
Current tax	<u>7,646</u>	<u>42,227</u>
	5,965	69,654
Deferred taxation	<u>(3,506)</u>	<u>(14,505)</u>
	<u>2,459</u>	<u>55,149</u>

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of the qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

8. (LOSS) PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	6,166	6,305
Other staff costs		
– Salaries and other benefits	31,399	31,240
– Retirement benefit scheme contributions	1,752	2,830
	<hr/>	<hr/>
Total employee benefit expenses	39,317	40,375
	<hr/>	<hr/>
Auditor's remuneration	2,160	2,260
Cost of inventories recognised as an expense	10,005	18,707
Cost of properties sold recognised as an expense	42,872	230,503
Depreciation of property, plant and equipment included in:		
– other hotel operating expenses	10,891	11,003
– administrative expenses	352	273
Depreciation of right-of-use assets	1,684	–
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	–	1,460
Net foreign exchange loss	75	692
Loss (gain) on disposal of property, plant and equipment	45	(181)
Included in other income:		
– Bank and other interest income	(4,302)	(2,154)
– Interest income from financial assets at FVTPL	(19,483)	(10,891)
– Investment income from financial assets at fair value through other comprehensive income	(2,683)	–
	<hr/> <hr/>	<hr/> <hr/>

9. (LOSS) EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<hr/> <hr/>	<hr/> <hr/>
	(29,497)	149,957

	2020	2019
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<u>194,337,559</u>	<u>194,337,559</u>

The number of ordinary shares for the purpose of basic earnings per share for the year ended 31st July, 2019, has been adjusted for the share consolidation of every twenty ordinary shares into one consolidated ordinary share which became effective on 13th March, 2019.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables:		
0 to 30 days	3	1,431
31 to 60 days	21	21
61 to 90 days	4	39
91 days or above	<u>329</u>	<u>248</u>
	357	1,739
Prepayments and deposits	1,617	1,342
Other receivables (<i>note</i>)	<u>15,199</u>	<u>4,976</u>
	<u>17,173</u>	<u>8,057</u>

Note: Included in other receivables are receivables from customers of consumer finance business of HK\$13,596,000 (2019: HK\$3,366,000).

As at 1st August, 2018, trade receivables with customers amounted to HK\$1,913,000.

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

11. TRADE AND OTHER PAYABLES

The average credit period on purchases of goods is 30 to 120 days. An aged analysis of trade payables based on invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables:		
0 to 30 days	21	2,175
31 to 60 days	8	761
61 to 90 days	5	381
91 days or above	465	156
	<hr/>	<hr/>
	499	3,473
Accruals	2,979	4,126
Other payables (<i>note</i>)	8,348	34,415
	<hr/>	<hr/>
	11,826	42,014
	<hr/> <hr/>	<hr/> <hr/>

Note: The balance as at 31st July, 2020 included retention payable amounting to HK\$1,659,000 (2019: HK\$13,567,000).

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$317.6 million for the year ended 31st July, 2020 (2019: HK\$499.2 million), which comprised gross proceeds from sales of properties of HK\$66.6 million (2019: HK\$361.1 million), hotel operations of HK\$33.7 million (2019: HK\$71.1 million) and sales of securities and other business segments totaling HK\$217.3 million (2019: HK\$67.0 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2020 was HK\$29.5 million (2019: profit of HK\$150.0 million).

The loss in the year ended 31st July, 2020 mainly resulted from the slow down of sale of properties and decline in hotel revenue due to the Covid-19 pandemic and redundant cost of HK\$9.9 million in relation to Hotel Fortuna, Foshan. The profit in the year ended 31st July, 2019 was attributable to HK\$118.0 million recognised in profit or loss, being the total amount of instalments received during the year from Kong Kei Construction Limited (“Kong Kei”) pursuant to the two deeds of settlement, details of which are set out in the Company’s announcements dated 7th August, 2016, 8th August, 2016, 26th August, 2016, 29th January, 2019 and 18th March, 2019.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31st July, 2020, the Group had bank balances and cash of HK\$333.1 million (2019: HK\$ HK\$357.0 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$217.3 million (2019: HK\$251.0 million).

No bank and other borrowings (other than corporate credit card payable classified as “other payable”) were outstanding at 31st July, 2020 (2019: Nil).

On 12th March, 2019, an ordinary resolution was passed at an extraordinary general meeting to consolidate every twenty shares in the issued share capital of the Company into one consolidated share (the “Share Consolidation”).

The Share Consolidation became effective on 13th March, 2019 and 3,886,751,193 shares in the issued share capital of the Company were consolidated into 194,337,559 consolidated shares.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ funds, was 26.5% at 31st July, 2020 (2019: 33.7%).

EXCHANGE RATE EXPOSURE

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

BUSINESS REVIEW

For the year ended 31st July, 2020, the principal activities of the Group are property development, 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\$66.6 million has been recognised for the year ended 31st July, 2020 (2019: HK\$361.1 million). The sale has slowed down during the period due to the external economic environment, and approximately 23.3% of saleable floor area remained unsold as at 31st July, 2020 mainly attributable to approximately 220 car park space. At 31st July, 2020, deposits for units pending hand over of approximately HK\$20.9 million (2019: HK\$31.4 million) was recorded and more contribution from this high-rise residential development to the Group's revenue is expected in the near term.

Hotel operation

The Group has a 75% effective interest in Hotel Fortuna, Foshan with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC. During the year ended 31st December, 2019, the hotel's occupancy rate dropped slightly to approximately 46.08% and recorded a turnover of approximately HK\$65.3 million in 2019 compared to approximately HK\$80.3 million in 2018. In response to the precautionary policies and measures implemented by the local government to deter the spread of COVID-19 pandemic in the PRC (the "Pandemic"), the operation of the hotel was temporarily suspended in late January, 2020 until further notice. In view of the uncertainty of the length of the suspension, only a minimal number of staff were kept in order to maintain the hotel properties while a total of approximately 250 employees, representing approximately 90% of the hotel's staff, were made redundant progressively to reduce unpromising cash outflow. They were fully compensated in accordance with local employment laws and regulations. Redundant cost of HK\$9.9 million was incurred during the year. The operation of the hotel has partly resumed in early August 2020 but the occupancy rate and food and beverage sales remains at a low level under the effect of the pandemic.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. The hotel maintained a high occupancy rate of approximately 92.1% and recorded a turnover of approximately HK\$230.9 million in 2019 compared to approximately HK\$243.2 million in 2018.

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 listed 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 July, 2020, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK\$26.4 million (2019: HK\$33.4 million) and listed debt securities of HK\$190.9 million (2019: 217.5 million).

Listed equity securities of HK\$26.4 million (2019: HK\$33.4 million), which consist entirely of shares in BOCOM International Holdings Company Limited (stock code: 3329), recorded an unrealised loss from fair value changes of HK\$7.0 million during the year (2019: HK\$13.3 million). Further details of the investment are set out in the Company's announcements dated 5th May, 2017 and 18th May, 2017.

As at 31st July, 2020, the Group had 19 listed debt securities (2019: 28) representing approximately 87.9% (2019: 86.7%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 3.3% (2019: 1.3%) of the Group's total assets, and that of the five largest debt securities held represents approximately 7.6% (2019: 4.8%). The remaining 14 (2019: 23) debt securities represent 8.4% (2019: 11.7%) of the Group's total assets, each ranging from 0.1% to 0.9% (2019: 0.1% to 0.8%). Approximately 95.9% (2019: 95.3%) of these debt securities are related to PRC-based real estate companies.

During the year, the debts portfolio gave rise to a net unrealised fair value loss of HK\$1.4 million (2019: fair value gain of HK\$0.2 million) and interest income of HK\$19.5 million (2019: HK\$10.9 million).

CONTINGENT LIABILITIES

At 31st July, 2020, the Group provided guarantees of approximately HK\$50.3 million (2019: HK\$187.2 million) to banks in respect of mortgage loans provided by the banks to purchasers of the Group's developed properties. These guarantees will be released when the building ownership certificates are issued and pledged by the purchasers with the banks for the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

EMPLOYEES

The Group offers its employees competitive remuneration packages to commensurate with their experience, performance and job nature, which include basic salary, bonuses, share options, medical scheme, retirement and other benefits.

At 31st July, 2020, the Group had approximately 80 employees of whom approximately 40 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2020 amounted to approximately HK\$39.3 million (2019: HK\$40.4 million).

PROSPECTS

The Pandemic has affected the performance of the Group and has huge negative impact on the PRC and local economies.

Despite the incidental losses and expenses arising from the temporary closure of the Foshan hotel and the slowdown of sale of the residential properties, the Board believes that the Group's financial position will not be significantly affected in the near term.

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

PLEDGE OF ASSETS

Bank deposit of HK\$643,000 (2019: HK\$643,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2019: HK\$600,000) granted to the Group, of which HK\$4,000 (2019: HK\$9,000) was utilised by the Group.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

In order to attain a high standard of corporate governance, the Company is committed to continuously adopting and improving effective measures and practices to achieve a high level of transparency and accountability in the interests of its shareholders.

During the year ended 31st July, 2020, the Company complied with all applicable provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Code") except for the following deviation:

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

The independent non-executive directors of the Company are not appointed for a specific term 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 CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st July, 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with the Code. The Audit Committee comprises Mr. Li Sze Kuen, Billy (Chairman), Mr. Wong Kwong Fat and Mr. Leung Kam Fai, all of whom are independent non-executive directors.

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

During the year, the Audit Committee held two meetings and performed the following duties:

1. reviewed and commented on the Company’s draft annual and interim financial reports;
2. reviewed and commented on the Group’s internal controls; and
3. met with the external auditors and participate in the re-appointment and assessment of the performance of the external auditors.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2020.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of the Company will be held on Thursday, 10th December, 2020. The Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

BOOK CLOSURE

The register of members will be closed from Monday, 7th December, 2020 to Thursday, 10th December, 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Thursday, 10th December, 2020, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 4th December, 2020.

By Order of the Board
Capital Estate Limited
Sio Tak Hong
Chairman

Hong Kong, 27th October, 2020

As at the date of this announcement, the Board comprises Mr. Sio Tak Hong, Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.