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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, 2022

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, 2022 together with the comparative figures for the six months ended 31st January, 2021 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2022

		Six months ended	
	<i>NOTES</i>	31.1.2022	31.1.2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	62,790	42,638
Cost of sales		(27,696)	(22,560)
Direct operating costs		(1,358)	(1,400)
Gross profit		33,736	18,678
Other income		6,763	21,193
Other gain and loss	4	(39,730)	2,980
Impairment losses under expected credit loss (“ECL”) model, net		(9,278)	(5,142)
Marketing expenses		(2,398)	(2,170)
Administrative expenses		(24,245)	(18,401)
Other hotel operating expenses		(6,317)	(6,525)
Share of loss of an associate		(10,984)	(8,518)
Finance cost		(73)	(67)
(Loss) profit before taxation		(52,526)	2,028
Income tax expense	5	(3,907)	(4,050)

	NOTES	Six months ended	
		31.1.2022 HK\$'000 (unaudited)	31.1.2021 HK\$'000 (unaudited)
Loss for the period	6	<u>(56,433)</u>	<u>(2,022)</u>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>5,767</u>	<u>27,381</u>
Total comprehensive (expense) income for the period		<u>(50,666)</u>	<u>25,359</u>
Loss for the period attributable to:			
Owners of the Company		<u>(57,436)</u>	<u>(3,231)</u>
Non-controlling interests		<u>1,003</u>	<u>1,209</u>
		<u>(56,433)</u>	<u>(2,022)</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<u>(53,111)</u>	<u>17,305</u>
Non-controlling interests		<u>2,445</u>	<u>8,054</u>
		<u>(50,666)</u>	<u>25,359</u>
Loss per share			
Basic – HK cents	7	<u>(29.56)</u>	<u>(1.66)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST JANUARY, 2022

	<i>NOTES</i>	31.1.2022 HK\$'000 (unaudited)	31.7.2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		233,593	234,922
Right-of-use assets		32,833	34,446
Interest in an associate		160,146	171,130
Deposit and prepayment for a life insurance policy		11,600	11,614
Receivables from customers of consumer finance service		16,923	–
		<hr/> 455,095	<hr/> 452,112
Current assets			
Properties held for sale		52,014	78,881
Inventories		772	787
Trade and other receivables	<i>8</i>	26,543	25,482
Receivables from customers of consumer finance service		52,232	54,945
Amount due from an associate		8,008	7,869
Prepaid income tax		22,120	19,789
Financial assets at fair value through profit or loss (“FVTPL”)	<i>9</i>	77,287	265,228
Pledged bank deposit		644	644
Bank balances and cash		341,945	221,755
		<hr/> 581,565	<hr/> 675,380
Current liabilities			
Trade and other payables	<i>10</i>	10,153	26,850
Contract liabilities		12,126	33,225
Lease liabilities		1,265	2,671
Amounts due to related parties		2,068	9,009
Tax payable		102,224	94,477
		<hr/> 127,836	<hr/> 166,232
Net current assets		<hr/> 453,729	<hr/> 509,148
Total assets less current liabilities		<hr/> 908,824	<hr/> 961,260

	31.1.2022 <i>HK\$'000</i> (unaudited)	31.7.2021 <i>HK\$'000</i> (audited)
Non-current liabilities		
Deferred tax liability	25,575	27,305
Lease liabilities	267	307
	<u>25,842</u>	<u>27,612</u>
Net assets	<u>882,982</u>	<u>933,648</u>
Capital and reserves		
Share capital	1,518,519	1,518,519
Reserves	(601,132)	(548,021)
	<u>917,387</u>	<u>970,498</u>
Equity attributable to owners of the Company	917,387	970,498
Non-controlling interests	(34,405)	(36,850)
	<u>882,982</u>	<u>933,648</u>
Total equity	<u>882,982</u>	<u>933,648</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2022

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, 2021 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 is as follows:

The Company has delivered the financial statements for the year ended 31st July, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; 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 sections 406(2), 407(2) or (3) 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, 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st July, 2021.

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, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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	
	31.1.2022 HK\$'000	31.1.2021 HK\$'000
Type of goods or service		
Revenue from hotel operations		
– Room rentals	2,681	2,557
– Food and beverage sales	71	199
– Rendering of ancillary services	89	88
Revenue from sale of properties held for sale	45,972	39,794
Interest income from receivables from customers of consumer finance service	13,977	–
	<u>62,790</u>	<u>42,638</u>
Geographical market		
Mainland China	48,813	42,638
Hong Kong	13,977	6,030
	<u>62,790</u>	<u>48,668</u>
Total	<u>62,790</u>	<u>48,668</u>
Timing of revenue recognition		
A point in time	60,109	40,081
Overtime	2,681	2,557
	<u>62,790</u>	<u>42,638</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, 2022

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

Six months ended 31st January, 2021

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross proceeds	<u>2,844</u>	<u>116,025</u>	<u>39,794</u>	<u>6,030</u>	<u>164,693</u>
Revenue, as reported	2,844	–	39,794	–	42,638
Interest income from receivables from customers of consumer finance service	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,030</u>	<u>6,030</u>
Segment revenue	<u>2,844</u>	<u>–</u>	<u>39,794</u>	<u>6,030</u>	<u>48,668</u>
Segment (loss) profit	<u>(7,487)</u>	<u>14,259</u>	<u>16,372</u>	<u>(3,225)</u>	19,919
Unallocated income					56
Unallocated expenses					(9,362)
Finance cost					(67)
Share of loss of an associate					<u>(8,518)</u>
Loss before taxation					<u>2,028</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.

The Group launched a money lending service in 2018 facilitated by a money lender licence held by the Group. The revenue from such business continues to grow over the years under the current economic environment with potential to become a significant source of income of the Group. As such, the executive directors of the Company changed the operation strategies and placed more focus on developing consumer finance business during the current interim period and considered such income as part of the revenue of the Group for the period.

Other segment information

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

For the six months ended 31st January, 2022

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Depreciation of property, plant and equipment	(5,532)	-	-	-	(146)	(5,678)
Depreciation of right-of-use assets	(785)	-	-	-	(1,376)	(2,161)
Bank interest income	214	-	-	170	1	385
Interest income from financial assets at FVTPL	-	3,810	-	-	-	3,810
Loss on disposal of property, plant and equipment	(131)	-	-	-	-	(131)

For the six months ended 31st January, 2021

	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	(5,754)	-	-	-	(182)	(5,936)
Depreciation of right-of-use assets	(771)	-	-	-	(1,376)	(2,147)
Bank interest income	93	-	-	165	57	315
Interest income from financial assets at FVTPL	-	11,473	-	-	-	11,473
Loss on disposal of property, plant and equipment	(123)	-	-	-	5	(118)

4. OTHER GAIN AND LOSS

	Six months ended	
	31.1.2022	31.1.2021
	HK\$'000	HK\$'000
(Decrease) increase in fair value of financial assets at FVTPL	(41,329)	2,980
Dividend income from financial assets at FVTPL	1,599	–
	<u>(39,730)</u>	<u>2,980</u>

5. INCOME TAX EXPENSE

	Six months ended	
	31.1.2022	31.1.2021
	HK\$'000	HK\$'000
Income tax expense comprises:		
Current tax		
PRC land appreciation tax	(6,110)	(5,912)
Deferred taxation	2,203	1,862
	<u>(3,907)</u>	<u>(4,050)</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 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%.

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 the 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	
	31.1.2022	31.1.2021
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– other hotel operating expenses	5,532	5,754
– administrative expenses	146	182
Depreciation of right-of-use assets	2,161	2,147
Loss on disposal of property, plant and equipment	131	118
Included in other income:		
– Bank interest income	(385)	(315)
– Interest income from financial assets at FVTPL	(3,810)	(11,473)
	<u>(3,810)</u>	<u>(11,473)</u>

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	
	31.1.2022	31.1.2021
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	<u>(57,436)</u>	<u>(3,231)</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 loss 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.

	31.1.2022	31.7.2021
	HK\$'000	HK\$'000
0 to 30 days	307	118
31 to 60 days	8	2
61 to 90 days	3	5
91 days or above	332	363
	<u>650</u>	<u>488</u>

As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number 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.

During the six months ended 31st January, 2022, no impairment allowance (six months ended 31st January, 2021: nil) was recognised for trade receivables based on the provision matrix.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.1.2022 <i>HK\$'000</i>	31.7.2021 <i>HK\$'000</i>
Listed equity securities in Hong Kong	65,625	117,711
Listed debt securities in Hong Kong	6,612	60,702
Unlisted debt securities in Hong Kong	5,050	10,101
Listed debt securities overseas	–	76,714
	<u>77,287</u>	<u>265,228</u>

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.

	31.1.2022 <i>HK\$'000</i>	31.7.2021 <i>HK\$'000</i>
0 to 30 days	61	39
31 to 60 days	31	33
61 to 90 days	21	19
91 days or above	38	49
	<u>151</u>	<u>140</u>

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of HK\$62.8 million for the six months ended 31st January, 2022, which comprised mainly income from sale of properties of HK\$46.0 million; consumer finance service of HK\$14.0 (six months ended 31st January, 2021: HK\$6.0 million included in other income) and hotel operations of HK\$2.8 million, as compared to HK\$42.6 million for the same period last year which comprised mainly income from sale of properties of HK\$39.8 million and hotel operations of HK\$2.8 million.

Net loss attributable to owners of the Company for the six months ended 31st January, 2022 was HK\$57.4 million, as compared to HK\$3.2 million for the same period last year.

The loss in the six-month period ended 31st January, 2022 was mainly attributable to the fair value loss of the Group's financial investment portfolio of HK\$41.3 million (six months ended 31st January, 2021: fair value gain of HK\$3.0 million) and decrease in interest income from such investment by HK\$7.7 million to HK\$3.8 million (six months ended 31st January, 2021: HK\$11.5 million).

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\$342.6 million (31st July, 2021: HK\$222.4 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$77.3 million (31st July, 2021: HK\$265.2 million).

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

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds was 16.8% at 31st January, 2022 (31st July, 2021: 20.0%).

EXCHANGE RATE EXPOSURE

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

BUSINESS REVIEW

For the six months ended 31st January, 2022, the principal activities of the Group are property development, consumer finance, hotel operation, financial investment and related activities.

PROPERTY INVESTMENT AND DEVELOPMENT

Sales activities of the residential project alongside Hotel Fortuna, Foshan, the People's Republic of China ("PRC") continue and revenue from sales of property amounting to HK\$46.0 million has been recognised for the six months ended 31st January, 2022 (six months ended 31st January, 2021: HK\$39.8 million). At 31st January, 2022, deposits for units pending hand over of approximately HK\$11.8 million (31st July, 2021: HK\$32.9 million) was recorded and the unsold saleable floor area of approximately 8.5% of this high-rise residential development, which mainly attributable to approximately 180 car park space, is expected to further contribute to the Group's revenue in the near term.

CONSUMER FINANCE

The Group launched a money lending service in 2018 facilitated by a money lender licence held by the Group. The revenue from such business continues to grow over the years under the current economic environment with potential to become a significant source of income of the Group. As such, the executive directors of the Company changed the operation strategies and placed more focus on developing consumer finance business during the current interim period and considered such income as part of the revenue of the Group for the period.

The service consists of the provision of unsecured consumer finance in Hong Kong through a self-developed online consumer lending software with AI sourcing. With the vision of continuous upscaling, the customer base grew steadily with approximately 3,600 users as at the period end date (31st July, 2021: approximately 3,500 users). The service maintained a net loan portfolio of HK\$69.2 million as at 31st January, 2022 (31st July, 2021: HK\$54.9 million) with loans to individual users ranging from HK\$2,000 to HK\$120,000 (31st July, 2021: HK\$2,000 to HK\$100,000). During the period, the loans recorded interest income of HK\$14.0 million (six-month period ended 31st January, 2021: HK\$6.0 million) and impairment losses under expected credit loss model on receivables amounting to HK\$9.3 million (six-month period ended 31st January, 2021: HK\$5.1 million). Although the consumer finance service is yet to reach a break even, the management is dedicated to develop such service as a new source of revenue of the Group.

HOTEL OPERATION

The Group has a 75% effective interest in Hotel Fortuna, Foshan with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC. During the six months ended 31st January, 2022, the occupancy rate remains at a low level of approximately 8.2% under the effect of the COVID-19 pandemic and recorded a turnover of approximately HK\$2.8 million (six months ended 31st January, 2021: 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 72.8% and turnover of approximately HK\$51.4 million during the period in compared to approximately HK\$60.6 million in the six months ended 31st January, 2021.

FINANCIAL INVESTMENTS

The Group continues its securities investment as one of its principal activities and in the ordinary and usual course of business. Its strategy is to maintain a diversified portfolio of marketable securities for effective treasury and risk management. The Group will continue to invest its surplus funds in marketable securities with attractive return and satisfactory rating, including debt securities. 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\$65.6 million (31st July, 2021: HK\$117.7 million) and marketable debt securities of HK\$11.7 million (31st July, 2021: 147.5 million).

Listed equity securities of HK\$65.6 million (31st July, 2021: HK\$117.7 million), representing approximately 84.9% (31st July, 2021: 44.4%) of the investment portfolio, consist of 1 equity securities (31st July, 2021: 6 equity securities) which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The equity security is a constituent of the Hang Seng Index and the mark to market valuation of it represents approximately 6.3% of the Group's total assets. As at 31st July, 2021, the mark to market valuation of the largest single equity security within the portfolio represents approximately 4.5% of the Group's total assets, and that of the five largest equity securities held represents approximately 10.4% of the Group's total assets. Approximately 64.7% of these equity securities held by the Group as at 31st July, 2021 are constituents of the Hang Seng Index and approximately 24.2% represents shares in BOCOM International Holdings Company Limited (stock code: 3329). Details of the investment in BOCOM International Holdings Company Limited are set out in the Company's announcements dated 5th May, 2017 and 18th May, 2017.

During the period, the equity portfolio gave rise to a net fair value gain of HK\$9.9 million (six months ended 31st January, 2021: fair value gain of HK\$6.5 million) and dividend income of HK\$1.6 million (six months ended 31st January, 2021: Nil).

As at 31st January, 2022, the Group had 1 listed (31st July, 2021: 14) and 1 unlisted (31st July, 2021: 1) debt securities representing approximately 15.1% (31st July, 2021: 55.6%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 0.6% (31st July, 2021: 2.3%) of the Group's total assets, and that of the two (31st July, 2021: five) largest debt securities held represents approximately 1.1% (31st July, 2021: 7.7%) of the Group's total assets. As at 31st July, 2021, the remaining 10 debt securities represent 5.3% of the Group's total assets, each ranging from 0.3% to 0.9%. All these debt securities are related to PRC-based real estate companies.

During the period, the debts portfolio gave rise to a net fair value loss of HK\$51.3 million (six-month period ended 31st January, 2021: HK\$3.5 million) and interest income of HK\$3.8 million (six-month period ended 31st January, 2021: HK\$11.5 million).

PROSPECTS

Although the PRC and local economies is still under the influence of the COVID-19 pandemic, the Board believes that the Group's financial position will not be significantly affected in the near term.

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

CONTINGENT LIABILITY

At 31st July, 2021, the Group provided guarantees of approximately HK\$31.2 million to banks in respect of mortgage loans provided by the banks to purchasers of the Group's developed properties. These guarantees will be released when the building ownership certificates are issued and pledged by the purchasers with the banks for the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks. No such guarantee was provided by the Group as at 31st January, 2022.

PLEDGE OF ASSETS

At 31st January, 2022, bank deposit of HK\$644,000 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, 2022 (31st July, 2021: 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, 2022.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2022 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:–

1. 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 as they are subject to rotation at annual general meetings in accordance with Article 103(A) of the Company’s Articles of Association. The Company will ensure that all directors retire at regular intervals.

2. Under Code E.1.2, the chairman of the board of directors (the “Board”) should attend the annual general meeting.

The chairman of the Board was unable to attend the Company’s annual general meeting which was held on 9th December, 2021 due to the COVID-19 pandemic.

MODEL 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, 2022.

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

During the six months ended 31st January, 2022, 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, 24th March, 2022

As at the date of this announcement, the Board comprises Mr. Tsui Wing Tak, Mr. Chu Nin Yiu, Stephen as executive directors, Mr. Lam Yiu Cho as non-executive director, and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.