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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)

SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
ANNUAL REPORT OF THE COMPANY
FOR THE YEAR ENDED 31 JULY 2023

Reference is made to the annual report (the “**Annual Report**”) of Capital Estate Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) for the year ended 31 July 2023. Unless defined otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

The Board wishes to provide additional information in relation to the auditor’s qualified opinion contained in the Annual Report on (i) the Group’s share of result of an associate and interest in an associate arising from ECL of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group; (ii) the Group’s dividend receivable from the Tin Fok Group; (iii) the action plan of the Group to address the qualified opinion; and (iv) the views from the auditor of the Company (the “**Auditor**”) and the audit committee of the Company.

Qualified opinion on the Group’s share of result of an associate and interest in an associate arising from ECL of the loan to and interest receivables from Entity A

As disclosed in the Annual Report, as at 31 July 2023, Tin Fok Group carried the loan to Entity A and the related interest receivables amounted to HK\$629.9 million and HK\$59.6 million respectively, and the repayment date of the loan was initially on 30 September 2023. As of 30 September 2023, Entity A has not yet repaid the loan and the related interest receivables but the Company was informed by Tin Fok in November 2023 that they have subsequently agreed a new repayment schedule with Entity A which Entity A will repay the outstanding loan and the related interest receivables by instalment and will be expected to repay in full by November 2027.

As at the date of this announcement, the principal amount outstanding and the related interest receivables amounted to HK\$629.9 million and HK\$62.6 million, respectively. Based on the said repayment schedule, Entity A is expected to repay HK\$40.0 million in 2024, HK\$48.0 million in 2025, HK\$106.0 million in 2026 and the remaining outstanding principal amount and the related interest receivables in 2027.

The Auditor had requested the Tin Fok Management and the Management to provide the movements of the loan to and interest receivables from Entity A during the year ended 31 July 2023 and any repayment up to 30 October 2023 (i.e. date of consolidated financial statements of the Group), and the ECL assessment on the loan to and interest receivables from Entity A including the methodology adopted, the assumptions applied and the reasonable and supportable information used as required by HKFRS 9. The Company provided movements of the loan to and interest receivables from Entity A during the year ended 31 July 2023 and the unaudited management accounts as at 31 August 2023 of Entity A to demonstrate the financial condition of Entity A. However, the unaudited management accounts of Entity A may not be sufficient for the assessment of ECL which requires the estimation of weighted average of all cash shortfalls from the contractual cash flows discounted at the effective interest rate as at the reporting date. Given that the Company does not have any control over Entity A, the Company has not been able to procure Entity A in providing additional supporting evidence to assess the repayment ability of Entity A, including the weighted average of all cash shortfalls from the contractual cash flows discounted at the effective interest rate as at the reporting date, for the Company's ECL assessment in order to satisfy the Auditor's request.

The Group's dividend receivable from the Tin Fok Group

As disclosed in the Annual Report, the Group has a dividend receivable of approximately HK\$12.6 million from Tin Fok as at 31 July 2023. The Company confirms that Tin Fok has agreed to settle the said outstanding dividend receivable in or before July 2024.

Action plan of the Group to address the qualified opinion

As disclosed in the Annual Report, the Company is actively seeking opportunities and approaching potential buyers, including but not limited to the existing shareholders of Tin Fok, to acquire the Group's interest in Tin Fok as well as the corresponding amount receivables (the "**Tin Fok Disposal**") with a view to resolve the qualified opinion.

As an update to the status of the Tin Fok Disposal, the Company has been engaging in constant discussion with the existing shareholders of Tin Fok in exploring the possibility of selling the Group's interest in Tin Fok to the existing shareholders of Tin Fok. Given the improvement in the operating results of Hotel Fortuna, Macau in 2023 following the reopening of border by the Macao government in early January 2023, the Company is of the view that it will be in a position to commission a valuation that better reflects the value of the Tin Fok shares as compared to the previous year when the operating results were affected by the uncertainties under the COVID-19 pandemic. The Company shall aim to enter into agreement with the existing shareholders of Tin Fok and target to complete the Tin Fok Disposal before the announcement of the annual results for the year ending 31 July 2024. As of the date of this announcement, no binding agreement in relation to the Tin Fok Disposal has been entered into.

Views of the Auditor and the Audit Committee on the action plan

Given that the audit qualification arises from the Company's holding in Tin Fok and the amounts receivable from the Tin Fok Group, the Auditor and the audit committee of the Company both are of the view that if the Company is able to complete the Tin Fok Disposal and the consideration of the disposal is settled in full, and the Auditor can perform satisfactory audit procedures, the audit qualification would be resolved in the upcoming financial year, other than the audit qualification on the 2023 comparative figures (and the corresponding profit and losses resulting from the qualification of the opening balances for 2024).

The Board confirmed that the supplementary information provided in this announcement does not affect any other information contained in the Annual Report and, save as disclosed in this announcement, the contents of the Annual Report remain unchanged.

By Order of the Board
Capital Estate Limited
Chu Nin Yiu, Stephen
Chief Executive Officer

Hong Kong, 29 December 2023

As at the date of this announcement, the Board comprises Ms. Sio Lai Na and 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.