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, 2023

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, 2023, 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, 2023

	NOTES	**2023** *HK$'000*	2022 *HK$'000*
Revenue			
Contracts with customers	*5*	**8,148**	59,799
Interest under effective interest method		**28,728**	27,474
Cost of sales		**(510)**	(32,598)
Direct operating costs		**(3,070)**	(2,402)
Gross profit		**33,296**	52,273
Other gains and losses	*6*	**(5,242)**	(38,436)
Impairment losses under expected credit loss ("ECL") model, net		**(13,794)**	(15,183)
Other income		**14,510**	11,363
Marketing expenses		**(5,637)**	(5,470)
Administrative expenses		**(45,283)**	(42,056)
Other hotel operating expenses		**(11,385)**	(13,825)
Share of loss of an associate		**(991)**	(25,264)
Finance costs	*7*	**(33)**	(101)
Loss before taxation		**(34,559)**	(76,699)
Income tax credit (expense)	*8*	**862**	(27,617)
Loss for the year	*9*	**(33,697)**	(104,316)

	NOTE	2023 HK$'000	2022 HK$'000
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(18,465)**	(11,260)
Other comprehensive expense for the year		**(18,465)**	(11,260)
Total comprehensive expense for the year		**(52,162)**	(115,576)
Loss for the year attributable to:			
Owners of the Company		**(29,967)**	(98,255)
Non-controlling interests		**(3,730)**	(6,061)
		(33,697)	(104,316)
Total comprehensive expense attributable to:			
Owners of the Company		**(43,835)**	(106,700)
Non-controlling interests		**(8,327)**	(8,876)
		(52,162)	(115,576)
Loss per share	*10*		
Basic – HK cents		**(15.4)**	(50.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st July, 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**191,070**	214,949
Right-of-use assets		**25,924**	29,349
Interest in an associate	*11*	**144,875**	145,866
Deposit and prepayment for a life insurance policy		**11,560**	11,586
Receivables from customers of consumer finance service		**17,510**	15,501
		390,939	417,251
Current assets			
Properties held for sale		**39,242**	42,368
Inventories		**481**	700
Trade and other receivables	*12*	**33,531**	21,297
Receivables from customers of consumer finance service		**60,320**	51,674
Amount due from an associate	*13*	**7,524**	8,031
Prepaid income tax		**1,595**	50,151
Financial assets at fair value through profit or loss ("FVTPL")		**78,367**	52,631
Pledged bank deposit		**646**	644
Bank balances and cash		**191,297**	336,137
		413,003	563,633
Current liabilities			
Trade and other payables	*14*	**11,063**	11,866
Contract liabilities		**2,110**	2,249
Derivative financial instruments		**–**	1,041
Lease liabilities		**–**	307
Amounts due to related parties		**2,068**	2,068
Tax payable		**1,890**	121,924
		17,131	139,455
Net current assets		**395,872**	424,178
Total assets less current liabilities		**786,811**	841,429

	2023	2022
	HK$'000	*HK$'000*
Non-current liability		
Deferred tax liability	**20,901**	23,357
Net assets	**765,910**	818,072
Capital and reserves		
Share capital	**1,518,519**	1,518,519
Reserves	**(698,556)**	(654,721)
Equity attributable to owners of the Company	**819,963**	863,798
Non-controlling interests	**(54,053)**	(45,726)
Total equity	**765,910**	818,072

1. GENERAL INFORMATION

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 13th Floor Bonham Majoris, 40 Bonham Strand, Sheung Wan, Hong Kong.

The Company acts as an investment holding company. The subsidiaries are engaged in hotel operations, property development, trade of securities and provision of consumer financing services. An associate of the Group is engaging in hotel operations and property investment.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1st August, 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the 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.

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[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[4]
Amendments to HKAS 1	Non-current Liabilities with Covenants[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[4]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules[2]
Amendments to HKAS 21	Lack of Exchangeability[5]

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

[2] Effective for annual periods beginning on or after 1st January, 2023 (except for HKAS 12 "Income Taxes" paragraphs 4A and 88A which are immediately effective upon issue of the amendments)

[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, 2024

[5] Effective for annual periods beginning on or after 1st January, 2025

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of the 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 HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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 "Leases", 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".

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, 2023 and 2022 included in this preliminary announcement of annual results 2023 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, 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st July, 2023 in due course.

For the years ended 31st July, 2023 and 2022, the auditor's reports were qualified and contained a statement under section 407(2) and 407(3) of the Hong Kong Companies Ordinance (Cap.622). The auditor's report did not contain a statement under sections 406(2) of the Hong Kong Companies Ordinance (Cap. 622). For details, please refer to section "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" in this preliminary announcement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Critical accounting estimates in consolidated financial statements of Tin Fok Holding Company Limited ("Tin Fok")

The Group's associate, Tin Fok and its subsidiary (together, "Tin Fok Group"), are principally engaged in hotel operations and property investment in Macao Special Administrative Region of the People's Republic of China (note 11). The ultimate controlling shareholders of Tin Fok are the spouse and daughters of a former director of the Company, Mr. Sio Tak Hong ("Mr. Sio"). The Group accounted for its interest in Tin Fok using equity method of accounting based on the unaudited consolidated financial statements of Tin Fok and its subsidiary (together, "Tin Fok Group") for the years ended 31st July, 2022 and 31st July, 2023 prepared in accordance with HKFRSs provided by management of Tin Fok. In preparing the consolidated financial statements of Tin Fok Group, the accounting policies of Tin Fok have been aligned, where necessary, to ensure consistency with those accounting policies adopted by the Group. Significant management judgements and estimates have been involved as described below:

ECL assessment on loan to a private company which is a related company of Mr. Sio

As at 31st July, 2022 and 1st August, 2022, Tin Fok Group carried loan to Mr. Sio with a carrying amount of HK$967,600,000, which was unsecured, interest bearing and matured on 30th September, 2021 and interest receivables from Mr. Sio amounting to HK$30,972,000, in which no ECL allowance was recognised. During the year ended 31st July, 2023, Tin Fok, Mr. Sio, certain private companies which are related companies of Mr. Sio and an individual entered into a Deed of Novation. Pursuant to the Deed of Novation, (i) the loan to Mr. Sio amounted to HK$967,600,000; (ii) interest receivables from Mr. Sio amounted to HK$30,972,000, and (iii) payables to a private company and the individual carried in the consolidated financial statements of Tin Fok Group with an aggregate amount of HK$290,570,000 were novated to another private company which is a related company of Mr. Sio ("Entity A"). During the year ended 31st July, 2023, repayments from Entity A amounting to HK$55,363,000 were received by Tin Fok. As at 31st July, 2023, Tin Fok Group carried the loan to Entity A and the related interest receivables amounted to HK$629,862,000 and HK$59,626,000 respectively. The loan to Entity A carried in the consolidated financial statements of Tin Fok Group is unsecured and interest bearing, and the repayment date of the loan was extended to 30th September, 2023 pursuant to the Supplemental Deed to the Deed of Novation entered into among Tin Fok, Mr. Sio, certain private companies that are related companies of Mr. Sio and an individual during the year ended 31st July, 2023. For the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2023, the management of Tin Fok and the management of the Group assessed the ECL of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group. Considered the net asset position of Entity A, the management of Tin Fok and the management of the Group believed the credit risk related to the loan to and interest receivables from Entity A was not significantly increased and the amounts are still recoverable and therefore no ECL was recognised in Tin Fok's consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2023 (2022: no ECL recognised relating to loan to Mr. Sio).

(b) Impairment assessment on interest in an associate and ECL on amount due from an associate and dividend receivable from an associate

The Group has recognised a share of loss of an associate amounting to HK$991,000 (2022: HK$25,264,000) on the consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2023 and carried an interest in an associate amounting to HK$144,875,000 (2022: HK$145,866,000) on the consolidated statement of financial position as at 31st July, 2023.

As at 31st July, 2022, the management of the Group considered there was impairment indication of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group and the uncertainties related to operation of Tin Fok Group. Accordingly, the management of the Group conducted an impairment assessment on the interest in Tin Fok and individually assess the ECL on amount due from Tin Fok and dividend receivable from Tin Fok.

The impairment assessment on the interest in Tin Fok requires an estimation of recoverable amount of the interest in Tin Fok, being the higher of its fair value less cost of disposal and value in use. The management of the Group estimated the recoverable amount of the interest in Tin Fok based on the value in use, which is determined based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions including the room rate, room occupancy rate, discount rate of 7.5%. No impairment loss on the interest in an associate was recognised for the year ended 31st July 2022.

In addition, no indication of impairment on the interest in an associate was identified by the management of the Group as at 31st July, 2023, as a result of significant improvement in the hotel operations of Tin Fok.

The management of the Group estimated the ECL on the amount due from Tin Fok and dividend receivable from Tin Fok by considering Tin Fok Group's consolidated financial position and historical repayment records and is of the view that these amounts are still recoverable.

As at 31st July, 2023, the gross carrying amounts of the Group's interest in an associate, amount due from an associate and the dividend receivables due from an associate was HK$144,875,000 (2022: HK$145,866,000), HK$7,524,000 (2022: HK$8,031,000) and HK$12,621,000 (2022: HK$12,621,000), respectively. Based on management's assessment, no impairment loss on the interest in an associate, and no ECL impairment on amount due from an associate and dividend receivable from an associate was recognised for both current and prior years.

(c) Provision of ECL for receivables from customers of consumer finance service

Receivables from customers of consumer finance service which are credit-impaired are assessed for ECL individually and the Group estimates ECL on remaining receivables from customers of consumer finance service on a collective basis. The provision rates are based on the Group's historical default rates over the expected life of the debtors and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates.

(d) Impairment assessment of property, plant and equipment and right-of-use assets relevant to hotel operations

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. Management assesses impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. Determining whether the property, plant and equipment and right-of-use assets relevant to hotel operations is impaired requires an estimation of the recoverable amount, which is the higher of the value in use or fair value less costs of disposal. The Group engages independent property valuer to estimate the fair value less cost of disposal of the property, plant and equipment and leasehold lands relevant to hotel operations. Impairment loss will be recognised when the recoverable amounts are lower than the carrying amounts. As at 31st July, 2023, the carrying amounts of property, plant and equipment and right-of-use assets relevant to hotel operations are HK$190,898,000 (2022: HK$214,808,000) and HK$25,924,000 (2022: HK$29,120,000) respectively without impairment recognised.

5. 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
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 year ended 31st July, 2023

	Hotel operations *HK$'000*	**Financial investment** *HK$'000*	**Property** *HK$'000*	**Consumer finance** *HK$'000*	**Consolidated** *HK$'000*
GROSS PROCEEDS	**7,037**	**155,335**	**1,111**	**28,728**	**192,211**
SEGMENT REVENUE	**7,037**	**–**	**1,111**	**28,728**	**36,876**
SEGMENT (LOSS) PROFIT	**(15,767)**	**165**	**(11)**	**(1,986)**	**(17,599)**
Unallocated income					**2,131**
Unallocated expenses					**(18,067)**
Finance costs					**(33)**
Share of loss of an associate					**(991)**
Loss before taxation					**(34,559)**

For the year ended 31st July, 2022

	Hotel operations *HK$'000*	Financial investment *HK$'000*	Property *HK$'000*	Consumer finance *HK$'000*	Consolidated *HK$'000*
GROSS PROCEEDS	4,144	743,785	55,655	27,474	831,058
SEGMENT REVENUE	4,144	–	55,655	27,474	87,273
SEGMENT (LOSS) PROFIT	(18,530)	(34,201)	21,909	(1,364)	(32,186)
Unallocated income					1
Unallocated expenses					(19,149)
Finance costs					(101)
Share of loss of an associate					(25,264)
Loss before taxation					(76,699)

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, central administration costs, directors' salaries, finance costs and share of loss of an associate. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

6. OTHER GAINS AND LOSSES

	2023	2022
	HK$'000	*HK$'000*
Dividend income from financial assets at FVTPL	**2,564**	7,187
Decrease in fair value of financial assets at FVTPL	**(8,847)**	(44,582)
Increase (decrease) in fair value of derivative financial instruments	**1,041**	(1,041)
	(5,242)	(38,436)

7. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interests on lease liabilities	**9**	43
Interests on overdraft in brokers' account	**24**	58
	33	101

8. INCOME TAX (CREDIT) EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Tax (credit) expense comprises:		
PRC land appreciation tax		
Current tax	**152**	30,642
Deferred taxation	**(1,014)**	(3,025)
	(862)	27,617

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 in Hong Kong 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.

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 years as the subsidiaries in the PRC did not generate any assessable profits for the years.

9. LOSS FOR THE YEAR

	2023 *HK$'000*	2022 *HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	**3,580**	4,610
Other staff costs		
– Salaries and other benefits	**15,502**	14,764
– Retirement benefit scheme contributions	**754**	767
Total employee benefit expenses	**19,836**	20,141
Auditor's remuneration		
– Current year	**2,950**	2,160
– Underprovision in prior year	**960**	-
	3,910	2,160
Cost of inventories recognised as an expense	**471**	113
Cost of properties sold recognised as an expense	**510**	32,598
Depreciation of property, plant and equipment included in:		
– other hotel operating expenses	**9,986**	12,334
– administrative expenses	**112**	235
Depreciation of right-of-use assets	**1,490**	4,025
Net foreign exchange loss	**391**	30
Loss on disposal of property, plant and equipment	**1,125**	212
Included in other income:		
Bank and other interest income	**(4,811)**	(877)
Interest income from financial assets at FVTPL	**(4,025)**	(4,346)
Rental income	**(3,147)**	(3,781)
Less: Direct operating expense	**198**	265
	(2,949)	(3,516)

Note: During the current year, the Group received government grants as compensation of employee benefits expenses amounting to HK$215,000 (2022: HK$489,000) which have been offset against related expenses.

10. LOSS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic earnings per share	**(29,967)**	(98,255)

	2023	2022
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**194,357,559**	194,357,559

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

11. INTEREST IN AN ASSOCIATE

	2023	2022
	HK$'000	*HK$'000*
Cost of unlisted investments in an associate	**229,455**	229,455
Share of post-acquisition results and other comprehensive income, net of dividend received	**(84,580)**	(83,589)
	144,875	145,866

At 31st July, 2023 and 2022, the Group had interest in the following associate:

Name of entity	**Place of incorporation/ principal place of operation**	**Proportion of quoted capital held by the Group**		**Principal activities**
		2023	2022	
Tin Fok *(note)*	Macau	**32.5%**	32.5%	Hotel operations and property investment

Note: The ultimate controlling shareholders of Tin Fok are the spouse and daughters of a former director of the Company, Mr. Sio.

Included in the cost of investment in an associate is goodwill of HK$2,362,000 (2022: HK$2,362,000) arising on acquisition of Tin Fok.

The management of the Group considered that as at 31st July, 2022, there was an indication of impairment of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group. The revenue of Tin Fok dropped significantly during the year ended 31st July, 2022, which resulted in a loss of HK$77,733,000. Accordingly, the management of the Group conducted an impairment assessment on the interest in Tin Fok, which requires an estimation of recoverable amount of the interest in Tin Fok, being the higher of the value in use and fair value less cost of disposal, as required by HKAS 36 "Impairment of Assets". The management of the Group assessed the value in use of the interest in Tin Fok based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions including the room rate, room occupancy rate and discount rate of 7.5%. Based on management's assessment, no impairment loss on the interest in an associate was recognised for the year ended 31st July, 2022. During the year ended 31st July 2023, there was significant improvement in the hotel operation business. The management of the Group considers that as at 31st July, 2023, there was no indication of impairment of the Group's interest in Tin Fok.

The summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in the consolidated financial statements.

	2023	2022
	HK$'000	*HK$'000*
Current assets *(note (i))*	**707,723**	1,023,916
Non-current assets *(note (ii))*	**895,999**	929,119
Current liabilities	**(406,714)**	(364,474)
Non-current liabilities	**(803,717)**	(1,189,902)
Non-controlling interests	**45,212**	42,893
Net assets attributable to owners of Tin Fok	**438,503**	441,552
Revenue	**134,303**	89,544
Loss and total comprehensive expense for the year	**(3,050)**	(77,733)
Group's share of loss of an associate	**(991)**	(25,264)

Note:

(i) The amount mainly presented loan to a private company which is a related company of Mr. Sio (2022: loan to Mr. Sio) and the related interest receivables with carrying amounts of HK$629,862,000 (2022: HK$967,600,000) and HK$59,626,000 (2022: HK$30,972,000) respectively, for which no ECL was recognised. The loan is unsecured, interest bearing and matured on 30th September, 2023. The loan has not been settled up to date of consolidated financial statements.

(ii) As at 31st July, 2022, included in the non-current assets of Tin Fok Group is property, plant and equipment in respect of hotel operations amounted to approximately HK$634,017,000. There was impairment indication identified by the management of Tin Fok and the management of the Group on property, plant and equipment in respect of hotel operations of Tin Fok due to the deterioration of the operation results and uncertainties related to operation of Tin Fok Group. Accordingly, the management of Tin Fok and the management of the Group, for the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2022, conducted an impairment assessment on the property, plant and equipment in respect of hotel operations of Tin Fok, which required an estimation of the recoverable amount, being the higher of the value in use and fair value less costs of disposal. The management of Tin Fok and the management of the Group estimated the value in use of the property, plant and equipment relevant to hotel operations based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions including the room rate, room occupancy rate and discount rate of 7.5%. No impairment loss was recognised in Tin Fok's consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2022. As at 31st July, 2023, the management of Tin Fok and the management of the Group considered there was no impairment indication of property, plant and equipment in respect of hotel operations of Tin Fok as a result of significant improvement in the hotel operations of Tin Fok subsequent to the reopening of border by the Macao government in early January 2023.

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2023	2022
	HK$'000	*HK$'000*
Net assets attributable to owners of Tin Fok	**438,503**	441,552
Proportion of the Group's ownership interest in Tin Fok	**32.5%**	32.5%
	142,513	143,504
Goodwill	**2,362**	2,362
Carrying amount of the Group's interest in Tin Fok	**144,875**	145,866

12. 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 customers of hotel business. The following is an aged analysis of trade receivables, presented based on invoice date:

	2023	2022
	HK$'000	*HK$'000*
Trade receivables:		
0 to 30 days	**274**	221
31 to 60 days	**190**	33
61 to 90 days	**5**	2
91 days or above	**333**	337
	802	593
Prepayments and deposits	**11,364**	2,894
Other receivables *(note)*	**21,365**	17,810
	33,531	21,297

Note: Included in other receivables are dividend receivable from an associate of HK$12,621,000 (2022: HK$12,621,000).

As at 1st August, 2021, trade receivables with customers amounted to HK$488,000.

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 and the Group believes that the amounts are recoverable. The Group does not hold any collateral over these balances.

13. AMOUNT DUE FROM AN ASSOCIATE

The balance at the end of the reporting period is unsecured, non-interest bearing, non-trade in nature and repayable on demand.

14. 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:

	2023	2022
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**62**	24
31 to 60 days	**52**	27
61 to 90 days	**28**	–
91 days or above	**54**	18
	196	69
Accruals	**3,527**	3,167
Other payables	**7,340**	8,630
	11,063	11,866

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Messrs. Deloitte Touche Tohmatsu, the auditor of the Company, regarding the Group's consolidated financial statements for the year ended 31st July, 2023.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st July, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As detailed in notes 4(a) and 16 to the consolidated financial statements, the Group holds 32.5% equity interest in an associate, Tin Fok Holding Company Limited ("Tin Fok"), which is engaged in hotel operations and property investment in Macao Special Administrative Region of the People's Republic of China. The ultimate controlling shareholders of Tin Fok are the spouse and daughters of a former director of the Company, Mr. Sio Tak Hong ("Mr. Sio"). The Group accounted for its interest in Tin Fok using equity method of accounting based on the unaudited consolidated financial statements of Tin Fok and its subsidiary (together, "Tin Fok Group") for the years ended 31st July, 2022 and 31st July, 2023 prepared in accordance with HKFRSs provided by management of Tin Fok. The Group has recognised a share of loss of an associate amounting to HK$25,264,000 and HK$991,000 on the consolidated statement of profit or loss and other comprehensive income for the years ended 31st July, 2022 and 31st July, 2023, respectively and carried an interest in an associate amounting to HK$145,866,000 and HK$144,875,000 on the consolidated statement of financial position as at 31st July, 2022 and 31st July, 2023, respectively, in which no impairment was recognised for both years. Furthermore, as detailed in notes 22 and 20 to the consolidated financial statements, the Group carried an amount due from an associate amounting to HK$8,031,000 and HK$7,524,000 as at 31st July, 2022 and 31st July, 2023, respectively and dividend receivable from an associate amounting to HK$12,621,000 as at 31st July, 2022 and 31st July, 2023, in which no expected credit loss ("ECL") allowance was recognised on these receivables from the associate for both years. Significant management judgements and estimates are involved in assessing these balances.

As set out in our auditor's report dated 31st October, 2022 on the Group's consolidated financial statements for the year ended 31st July, 2022, we have previously qualified our opinion due to the limitation on the scope of our audit as we were unable to obtain sufficient appropriate audit evidence to assess:

(i) ECL on loan to Mr. Sio and impairment on property, plant and equipment in respect of Tin Fok Group's hotel operations; and hence whether interest in an associate as at 31st July, 2022 and share of loss of an associate for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group for the year ended 31st July, 2022 were free from material misstatements;

(ii) impairment on interest in an associate as at 31st July, 2022 and hence whether interest in an associate as at 31st July, 2022 and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group were free from material misstatements; and

(iii) ECL on amount due from an associate and dividend receivable from an associate as at 31st July, 2022 and hence whether amount due from an associate and dividend receivable from an associate at 31st July, 2022 and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group were free from material misstatements;

and we were unable to determine whether any adjustments to interest in an associate, amount due from an associate and dividend receivable from an associate as at 31st July, 2022, and share of loss of an associate and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group were necessary. In addition, we were also unable to determine whether the related disclosures in the consolidated financial statements of the Group for the year ended 31st July, 2022 were sufficient and appropriate.

Interest in an associate

(1)(a) As set out in note 4(a) to the consolidated financial statements, Tin Fok Group carried a loan to Mr. Sio and interest receivables from Mr. Sio amounting to HK$967,600,000 and HK$30,972,000, respectively, in which no ECL allowance was recognised on its consolidated statement of financial position as at 31st July, 2022. During the year ended 31st July, 2023, Tin Fok, Mr. Sio, certain private companies that are related companies of Mr. Sio and an individual entered into a Deed of Novation. Pursuant to the Deed of Novation, (i) the loan to Mr. Sio amounting to HK$967,600,000, (ii) interest receivables from Mr. Sio amounting to HK$30,972,000, and (iii) payables to a private company and the individual carried in the consolidated financial statements of Tin Fok Group with an aggregate amount of HK$290,570,000 were novated to another private company which is a related company of Mr. Sio ("Entity A").

During the year ended 31st July, 2023, repayments from Entity A amounting to HK$55,363,000 were received by Tin Fok Group. As at 31st July, 2023, Tin Fok Group carried the loan to Entity A and the related interest receivables amounting to HK$629,862,000 and HK$59,626,000, respectively. The loan to Entity A carried in the consolidated financial statements of Tin Fok Group is unsecured and interest bearing, and the repayment date of the loan was extended to 30th September, 2023 pursuant to the Supplemental Deed to the Deed of Novation entered into among Tin Fok, Mr. Sio, certain private companies that are related companies of Mr. Sio and an individual during the year ended 31st July, 2023. For the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2023, the management of Tin Fok and the management of the Group assessed the ECL of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group. The management of Tin Fok and the management of the Group are of the view that, by considering the net asset position of Entity A, the credit risk related to the loan to and interest receivables from Entity A was not significantly increased and the amounts are still recoverable and hence no ECL allowance in respect of loan to and interest receivables from Entity A under HKFRS 9 "Financial Instruments" ("HKFRS 9") issued by the HKICPA in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023 is required. However, the management of the Group was not able to provide us the ECL assessment on the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group, including the methodology adopted, the assumptions applied and the reasonable and supportable information used as required by HKFRS 9.

The Group's share of result of an associate and interest in an associate would be adversely affected if there were any significant ECL allowance on loan to and interest receivables from Entity A recognised by Tin Fok Group for the year ended 31st July, 2023.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess amount of ECL allowance on loan to and interest receivables from Entity A should be recognised in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that (i) loan to and interest receivables from Entity A as at 31st July, 2023 and the loss of Tin Fok Group for the year ended 31st July, 2023 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023; and hence (ii) interest in an associate as at 31st July, 2023 and share of loss of an associate for the year ended 31st July, 2023 recorded in the consolidated financial statements of the Group for the year ended 31st July, 2023 are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements for the year ended 31st July, 2023 of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

(1)(b) As set out in note 16(ii) to the consolidated financial statements, as at 31st July, 2022, with impairment indication identified by the management of Tin Fok and the management of the Group on the property, plant and equipment in respect of Tin Fok Group's hotel operations due to the deterioration of the operation results and uncertainties related to operation of Tin Fok Group, the management of the Group and the management of Tin Fok were required to assess the recoverable amount of these property, plant and equipment, being the higher of the fair value less cost of disposal and value in use, as required by HKAS 36 "Impairment of Assets" ("HKAS 36") issued by the HKICPA for the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2022. The management of Tin Fok and the management of the Group estimated the value in use of the property, plant and equipment in respect of Tin Fok Group's hotel operations based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions, including the room rate, room occupancy rate and discount rate. However, the management of Tin Fok did not provide the details of the key assumptions used in the discounted cash flow projection to the management of the Group who was then not able to provide us with sufficient appropriate information to support the reasonableness of these key assumptions used in the discounted cash flow projection. In addition, the management of Tin Fok and the management of the Group did not provide us with their assessment of the fair value less cost of disposal of the property, plant and equipment in respect of Tin Fok Group's hotel operations for the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2022. This caused us to qualify our audit opinion on the consolidated financial statements of the Group for the year ended 31st July, 2022. As set out in note 16(ii) to the consolidated financial statements, the management of Tin Fok and the management of the Group considered there was no impairment indication of property, plant and equipment in respect of Tin Fok Group's hotel operations subsequent to the reopening of border by the Macao government in early January 2023. However, given the lack of sufficient appropriate audit evidence to support the reasonableness of the key assumptions used by the management of Tin Fok and the management of the Group in estimating the value in use of the property, plant and equipment in respect of Tin Fok Group's hotel operations and the lack of assessment of fair value less cost of disposal of the property, plant and equipment in respect of Tin Fok Group's hotel operations in their previous year's assessments of the impairment of the property, plant and equipment in respect of Tin Fok Group's hotel operations, as of the date of this report, we were unable to determine whether any impairment adjustments were necessary to the opening balance of the property, plant and equipment in respect of Tin Fok Group's hotel operations as at 1st August, 2022, which would consequentially impact whether any reversal of impairment on the property, plant and equipment should be recognised in the consolidated financial statements of the Tin Fok Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that (i) the loss of Tin Fok Group for the year ended 31st July, 2023 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023 and hence (ii) the share of loss of an associate for the year ended 31st July, 2023 recorded in the consolidated financial statements of the Group for the year ended 31st July, 2023 are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements for the year ended 31st July, 2023 of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

(2) As set out in note 4(b) to the consolidated financial statements, the management of the Group considers that as at 31st July, 2022, there was impairment indication of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group and the uncertainties related to operation of Tin Fok Group. In respect of the impairment assessment of interest in an associate, the management of the Group was required to assess the recoverable amount of the interest in Tin Fok, being the higher of its fair value less cost of disposal and value in use, as required by HKAS 36. The Group's results would be adversely affected if there were any significant impairment loss on interest in an associate recognised by the Group for the year ended 31st July, 2022. The management of the Group estimated the value in use of the interest in Tin Fok based on same set of 5-year discounted cash flow projection as mentioned in (1)(b) above in which the management of the Group was not able to provide us with sufficient appropriate information to support the reasonableness of the key assumptions adopted in the discounted cash flow projection. In addition, the management of the Group did not provide us with their assessment of the fair value less cost of disposal of the interest in Tin Fok. This caused us to qualify our audit opinion on the consolidated financial statements of the Group for the year ended 31st July, 2022. As set out in note 4(b) to the consolidated financial statements, the management of the Group considered there was no impairment indication of Group's interest in Tin Fok as at 31st July, 2023, as a result of significant improvement in the hotel operations of Tin Fok. However, given the lack of sufficient appropriate audit evidence to support the reasonableness of the key assumptions used by management in estimating the recoverable amount of the interest in Tin Fok and the lack of assessment of fair value less cost of disposal of the interest in Tin Fok in their previous year's assessments of the impairment of the Group's interest in Tin Fok, as of the date of this report, we were unable to determine whether any impairment adjustments were necessary to the opening balance of the interest in an associate as at 1st August, 2022, which would consequentially impact whether any reversal of impairment on interest in an associate should be recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that loss for the year ended 31st July, 2023 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to previous year's impairment assessment of interest in an associate were sufficient and appropriate.

Amount due from an associate and dividend receivable from an associate

As set out in note 4(b) to the consolidated financial statements, considering the consolidated financial position of Tin Fok Group and historical repayment records, the management of the Group are of the view that amount due from Tin Fok and dividend due from Tin Fok are still recoverable and hence no ECL allowance in respect of amount due from an associate and dividend receivable from an associate under HKFRS 9 is recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. However, due to the uncertainties related to the timing and amount of expected future cash inflow arising from settlement of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group which might in turn affect the financial ability of Tin Fok Group, the management was not able to provide us the ECL assessment on amount due from Tin Fok and the dividend receivable from Tin Fok, including the methodology adopted, the assumptions applied and the reasonable and supportable information used as required by HKFRS 9.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess amount to ECL allowance on amount due from an associate and dividend receivable from an associate should be recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that amount due from an associate and dividend receivable from an associate as at 31st July, 2023 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to ECL assessment of amount due from an associate and dividend receivable from an associate were sufficient and appropriate.

It is not practicable for us to quantify the effects of the scope limitation in relation to the above-mentioned matters on the consolidated financial statements of the Group for the year ended 31st July, 2023. Consequently, we were unable to determine whether any adjustments to share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The aforesaid "notes 4, 16, 20 and 22 to the consolidated financial statements" are disclosed as notes 4, 11, 12 and 13, respectively, of this announcement.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate. Accordingly, we are unable to conclude whether or not the other information in the directors' report is materially misstated with respect to this matter.

Report on Other Matters under Sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In accordance with the Hong Kong Companies Ordinance, we have the following matters to report. In our opinion in respect alone of the inability to obtain sufficient appropriate audit evidence regarding share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$192.2 million for the year ended 31st July, 2023 (2022: HK$831.1 million), which comprised gross proceeds from sales of properties of HK$1.1 million (2022: HK$55.7 million), consumer finance service of HK$28.7 million (2022: HK$27.5 million), hotel operations of HK$7.0 million (2022: HK$4.1 million) and sales of securities and other business segments totaling HK$155.3 million (2022: HK$743.8 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2023 was HK$30.0 million (2022: HK$98.3 million).

The reduction in loss in the year ended 31st July, 2023 was mainly attributable to decrease in fair value loss on the Group's financial investment portfolio by HK$37.8 million and decrease in share of loss of an associate by over HK$24.3 million.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31st July, 2023, the Group had bank balances and cash of HK$191.9 million (2022: HK$336.8 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK$78.4 million (2022: HK$52.6 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2023 (2022: Nil).

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 4.6% at 31st July, 2023 (2022: 18.8%).

EXCHANGE RATE EXPOSURE

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

BUSINESS REVIEW

For the year ended 31st July, 2023, the principal activities of the Group are property development, consumer finance, hotel operation, financial investment and related activities.

Property investment and development

Sales activities of the residential project alongside Hotel Fortuna, Foshan, the People's Republic of China ("PRC") continue and revenue from sales of property amounting to HK$1.1 million (2022: HK$55.7 million) has been recognised for the year ended 31st July, 2023. At 31st July, 2023, deposits for units pending hand over of approximately HK$1.9 million (2022: HK$2.0 million) was recorded and the unsold saleable floor area of approximately 7.2% of this high-rise residential development, which mainly attributable to approximately 170 car park space, is expected to further contribute to the Group's revenue in the near term.

Consumer finance

The Group holds a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and utilizes its internal resources in funding its consumer finance business. During the year, the loans recorded interest income of HK$28.7 million (2022: HK$27.5 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.

(I) The business model, credit approval and risk assessment policy

The service consists of the provision of unsecured consumer finance to Hong Kong permanent resident through a self-developed online consumer lending software. The Group promotes such service mainly through internet and individual customers can apply for the service through a mobile app which is publicly available. Approval status, due date reminder and other notification will be sent to user through the mobile app while user can submit repayments and check their loan status through the app as well. As the money lending service targets a large population, and the loans are unsecured, hence, a certain level of loss resulting from risk of default is expected. Such default risk is reflected in the interest rate charged as to cover the potential loss from default.

It is the Group's policy that potential borrowers are subject to background check and credit rating procedures before the approval and grant of the loan. Background check includes verification of identity, home and office addresser, and proof of income of the potential borrowers based on documents and information provided. The Group has a specific team to check and verify the information provided by the potential borrowers. After verification, such information will be processed by the Group's self-developed credit risk model to determine whether a loan will be granted. The self-developed credit risk model will assign scores to each of the potential borrowers, which is based on information provided by the borrowers, including income, employment status and accommodation type. For recurring borrowers, their historical repayment records will also be considered. An overall credit score will be determined and for eligible applicant, the loan amount, credit period and interest rate applicable will be generated based on the credit score. Our senior loan operation officers will review such results and contact the potential borrower for further procedures if the acceptable loan and credit period matched with the application.

Borrower who has not made any repayment or with any late installment payment record, is not eligible to apply for any reloan. For borrower who has repaid a certain percentage of principal with a good record of timely repayment, a reloan option will become available in the app. Such user may apply for a reloan to settle the outstanding principal of the original loan and the remaining balance of the reloan will be transferred to the borrowers' bank accounts. All reloan applications are subjected to independent approval procedures separately from the original loan.

Our senior loan operation officers will continuously monitor the repayment status of the borrowers through the self-developed online consumer lending software on a daily basis. For customers who fail to make repayment on time, the self-developed online consumer lending software will automatically send notification to them through the app and SMS on the day after the due date of the repayment. Our senior loan operation officers will also send email notification and make follow-up phone calls to these customers on the same day. If there were still no response from the customers to the above actions, a formal written repayment notice will be sent by post to the customers' registered postal address on the second day after the due date. On the sixth day after the due date, a final reminder will be sent to the customers' registered emails. If there were still no repayments or any feedback from the customers, another written notice will be sent by post on the seventh day after the due date and the outstanding amount will be passed to external debt collector.

(II) Loan size and portfolio

As at 31st July, 2023, the consumer finance business has approximately 3,500 users (2022: approximately 3,400 users) and maintained a net loan portfolio of HK$77.8 million as at 31st July, 2023 (2022: HK$67.2 million) with loans to individual users ranging from HK$2,000 to HK$120,000 (2022: HK$2,000 to HK$120,000) with credit period up to 36 months (2022: 36 months). The receivables are unsecured and carry interest at fixed rate ranged from 26% to 48% (2022: 26% to 48%) which is determined based on factors including loan term, principal amount and credit history of individual customer. Loan granted to approximately 74% (2022: 83%) of the customers are with principal amount of HK$40,000 or below and approximately 82% (2022: 86%) with credit period of 18 months or less.

The following table shows the percentage of customers by principal amount, credit period and interest rate:

	% of user	
	2023	2022
Principal amount:		
Below HK$20,000	**35.2%**	44.4%
Below HK$40,000 but over HK$20,000	**38.7%**	38.3%
Below HK$80,000 but over HK$40,000	**24.9%**	16.9%
Below HK$120,000 but over HK$80,000	**1.2%**	0.4%
	100.0%	100.0%
Credit period:		
6 months or less	**5.9%**	4.5%
12 months or less but over 6 months	**40.2%**	46.4%
18 months or less but over 12 months	**35.6%**	34.7%
24 months or less but over 18 months	**11.1%**	10.7%
36 months or less but over 24 months	**7.2%**	3.7%
	100.0%	100.0%
Interest rate:		
Below 35%	**4.4%**	10.0%
Below 40% but over 35%	**55.2%**	58.3%
Below 45% but over 40%	**39.0%**	20.8%
Below 50% but over 45%	**1.4%**	10.9%
	100.0%	100.0%

The Group has no concentration risk on the receivables from customers of consumer finance. Gross receivable from the largest borrower and the five largest borrowers in aggregate, are below 1% of the net loan portfolio as at 31st July, 2023 and 31st July, 2022.

(III) Basis of loan impairments assessment and analysis

Impairment losses under expected credit loss model on receivables amounting to HK$13.8 million (2022: HK$15.2 million) was recorded during the year. According to the Group's lending business loan impairment policy, customers defaulting in repayment for over 21 days are considered as credit-impaired, and full provision on the amount outstanding will be made. Receivables from customers that is not credit-impaired are assessed on a collective basis as these customers share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision rates applied to receivable from these customers are based on the Group's historical default rates over the expected life of the receivables and forward-looking information that is reasonable and supportable available without undue costs or effort. The decrease in impairment losses was due to the moderate recovery in overall economic and improvement in credit control.

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 July, 2023, the hotel achieved a growth in occupancy rate to approximately 12.4% (2022: 6.6%) and recorded a turnover of approximately HK$7.0 million in compared to turnover of approximately HK$4.1 million in the year ended 31st July, 2022.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. Recovering from the effect of the pandemic, the hotel's recorded occupancy rate of approximately 72.8% (2022: 55.4%) and turnover of approximately HK$134.3 million during the year in compared to approximately HK$89.5 million in 2022.

Financial investments

The Group continues its securities investment as one of its principal activities and in the ordinary and usual course of business. Its strategy is to maintain a diversified portfolio of marketable securities for effective treasury and risk management. The Group will continue to invest its surplus funds in marketable securities with attractive return and satisfactory rating, including debt securities 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 July, 2023, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of debt securities of HK$78.4 million (2022: listed equity securities of HK$52.6 million and debt securities of no carrying value).

As at 31st July, 2023, the Group had 6 listed (2022: Nil) and 1 unlisted (2022: 1) debt securities representing approximately 100.0% (2022: 0.0%) of the investment portfolio. As at 31st July, 2023, the mark to market valuation of the largest single debt security within the portfolio represents approximately 2.8% of the Group's total assets, and that of the five largest debt securities held represents approximately 9.4% of the Group's total assets. The remaining 2 debt securities held as at 31st July, 2023, represent 0.4% of the Group's total assets, each ranging from 0.0% to 0.4%. Approximately 71.1% of these debt securities are related to PRC based real estate companies. The debt security held as at 31st July, 2022 was defaulted and has no carrying value.

During the year, the debts portfolio gave rise to a net fair value loss of HK$8.8 million (2022: HK$23.5 million) and interest income of HK$4.0 million (2022: HK$4.3 million).

The Group held no listed equity security as at 31st July, 2023. Listed equity securities of HK$52.6 million held as at 31st July, 2022, representing approximately 100.0% of the investment portfolio, consist of 3 equity securities which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The mark to market valuation of the largest single equity security within the portfolio represents approximately 3.5% of the Group's total assets, and that of the three largest equity securities held represents approximately 5.4%. Approximately 90.0% of these equity securities are constituents of the Hang Seng Index.

During the year, the equity portfolio gave rise to a net fair value loss of HK$0.1 million (2022: fair value loss of HK$16.1 million) and dividend income of HK$2.6 million (2022: HK$7.2 million).

During the year ended 31st July, 2022, the Group also entered into certain derivative contracts in relation to the listed equity securities held by the Group. As at 31st July, 2023, the Group has no derivative liabilities (2022: HK$1.0 million) and recorded a fair value gain of HK$1.0 million (2022: fair value loss HK$1.0 million) for the year.

CONTINGENT LIABILITIES

At 31st July, 2023, the Group provided guarantees of approximately HK$15.0 million (2022: HK$16.0 million) to banks in respect of mortgage loans provided by the banks to purchasers of the Group's developed properties. These guarantees will be released when the building ownership certificates are issued and pledged by the purchasers with the banks for the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

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, 2023, the Group had approximately 90 employees of whom approximately 45 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2023 amounted to approximately HK$19.8 million (2022: HK$20.1 million).

PROSPECTS

The Group maintained a healthy financial position throughout the COVID-19 pandemic. Although the economic activity of PRC and local is still below pre-covid-19 level, the gradual relaxation of COVID-19 restrictions from early 2023 onwards has brought positive impact on the Group's business, especially the hotel operation.

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

PLEDGE OF ASSETS

Bank deposit of HK$646,000 (2022: HK$644,000) was pledged to banks to secure credit facilities to the extent of HK$600,000 (2022: HK$600,000) granted to the Group. No credit facilities were utilised by the Group as at 31st July, 2023 and 2022.

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, 2023, 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.

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 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, 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 30th October, 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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. Yeung Chi Wai (Chairman), Mr. Wong Kwong Fat and Mr. Chan Shu Yan, Stephen, 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 five 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 auditor and participate in the re-appointment and assessment of the performance of the external auditor.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2023.

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

Hong Kong, 30th October, 2023

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