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CAPITAL ESTATE LIMITED **冠中地產有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

RESULTS ANNOUNCEMENT **FOR THE YEAR ENDED 31ST JULY, 2021**

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, 2021, 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, 2021

	<i>NOTES</i>	2021 HK\$'000	2020 HK\$'000
Revenue	4	116,147	100,318
Cost of sales		(60,810)	(42,872)
Direct operating costs		(2,959)	(23,750)
Gross profit		52,378	33,696
Other gains and losses	5	(26,384)	6,797
Impairment losses under expected credit loss (“ECL”) model, net		(12,016)	(1,341)
Other income		43,517	28,110
Marketing expenses		(4,653)	(6,821)
Administrative expenses		(40,306)	(56,634)
Other hotel operating expenses		(13,045)	(12,310)
Share of loss of an associate		(16,360)	(21,224)
Finance costs	6	(257)	(18)
Loss before taxation		(17,126)	(29,745)
Income tax expense	7	(12,328)	(2,459)
Loss for the year	8	(29,454)	(32,204)

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Release of exchange reserve upon deregistration of a subsidiary		–	(1,138)
Exchange differences arising on translation of foreign operations		27,644	(12,174)
		<u>27,644</u>	<u>(12,174)</u>
Other comprehensive income (expense) for the year		27,644	(13,312)
		<u>27,644</u>	<u>(13,312)</u>
Total comprehensive expense for the year		(1,810)	(45,516)
		<u>(1,810)</u>	<u>(45,516)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(34,068)	(29,497)
Non-controlling interests		4,614	(2,707)
		<u>(29,454)</u>	<u>(32,204)</u>
		<u>(29,454)</u>	<u>(32,204)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(13,335)	(39,705)
Non-controlling interests		11,525	(5,811)
		<u>(1,810)</u>	<u>(45,516)</u>
		<u>(1,810)</u>	<u>(45,516)</u>
Loss per share	9		
Basic – HK cents		(17.5)	(15.2)
		<u>(17.5)</u>	<u>(15.2)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st July, 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		234,922	227,928
Right-of-use assets		34,446	36,097
Interest in an associate		171,130	200,111
Deposit and prepayment for a life insurance policy		11,614	11,644
		<u>452,112</u>	<u>475,780</u>
Current assets			
Properties held for sale		78,881	128,576
Inventories		787	1,446
Trade and other receivables	<i>10</i>	26,758	3,577
Receivables from customers of consumer finance service		53,669	13,596
Amount due from an associate		7,869	7,226
Prepaid income tax		19,789	15,797
Financial assets at fair value through profit or loss ("FVTPL")		265,228	217,283
Pledged bank deposit		644	643
Bank balances and cash		221,755	332,456
		<u>675,380</u>	<u>720,600</u>
Current liabilities			
Trade and other payables	<i>11</i>	26,850	11,826
Contract liabilities		33,225	21,161
Lease liabilities		2,671	2,727
Amounts due to related parties		9,009	121,490
Tax payable		94,477	71,341
		<u>166,232</u>	<u>228,545</u>
Net current assets		<u>509,148</u>	<u>492,055</u>
Total assets less current liabilities		<u>961,260</u>	<u>967,835</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liability	27,305	29,405
Lease liabilities	307	2,972
	<u>27,612</u>	<u>32,377</u>
Net assets	<u>933,648</u>	<u>935,458</u>
Capital and reserves		
Share capital	1,518,519	1,518,519
Reserves	(548,021)	(534,686)
Equity attributable to owners of the Company	970,498	983,833
Non-controlling interests	(36,850)	(48,375)
Total equity	<u>933,648</u>	<u>935,458</u>

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 Unit 1701, 17/F., YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”), which is also the functional currency of the Company. Certain comparative figures as set out in the consolidated statement of profit or loss and consolidated statement of financial position have been reclassified to conform with current year’s presentation. These reclassifications have no effect on the comparative figures in consolidated statement of financial position, loss for the year or cash flows of the Group.

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 “Amendments to References to the Conceptual Framework in HKFRS Standards” and 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 annual period beginning on or after 1st August, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

Except as described below, the application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year 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.

Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the 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 and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021 ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
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 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

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

² Effective for annual periods beginning on or after 1st January, 2022

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, 2021

⁵ Effective for annual periods beginning on or after 1st April, 2021

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of 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 to help entities.

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 AND SIGNIFICANT ACCOUNTING POLICIES

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 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”.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

4. SEGMENT INFORMATION

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

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

Information regarding these segments is reported below.

Segment revenue and results

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

For the year ended 31st July, 2021

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
GROSS PROCEEDS	<u>6,272</u>	<u>595,873</u>	<u>109,875</u>	<u>712,020</u>
SEGMENT REVENUE	<u>6,272</u>	<u>-</u>	<u>109,875</u>	<u>116,147</u>
SEGMENT (LOSS) PROFIT	<u>(10,353)</u>	<u>(5,863)</u>	<u>41,145</u>	<u>24,929</u>
Unallocated income				16,307
Unallocated expenses				(41,745)
Finance costs				(257)
Share of loss of an associate				<u>(16,360)</u>
Loss before taxation				<u>(17,126)</u>

For the year ended 31st July, 2020

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

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

5. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend income from financial assets at FVTPL	5,483	2,350
Decrease in fair value of financial assets at FVTPL	(31,867)	(7,671)
Gain on transfer of other payable (<i>note</i>)	–	10,980
Gain on deregistration of a subsidiary	–	1,138
	<u>(26,384)</u>	<u>6,797</u>

Note: Upon deregistration of a subsidiary, a payable to an independent third party was transferred to the non-controlling shareholder of the subsidiary, which was a non-cash transaction during the year ended 31st July, 2020.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on lease liabilities	116	18
Interests on overdraft in brokers' account	141	–
	<u>257</u>	<u>18</u>

7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Tax expense (credit) comprises:		
PRC enterprise income tax		
Current tax	–	–
Overprovision in prior year	–	(1,681)
	–	(1,681)
PRC land appreciation tax		
Current tax	16,969	7,646
	16,969	5,965
Deferred taxation	(4,641)	(3,506)
	<u>12,328</u>	<u>2,459</u>

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 profit for the years.

8. LOSS FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	6,066	6,166
Other staff costs		
– Salaries and other benefits	11,596	31,399
– Retirement benefit scheme contributions	656	1,752
	<hr/>	<hr/>
Total employee benefit expenses	18,318	39,317
Auditor's remuneration	2,160	2,160
Cost of inventories recognised as an expense	230	10,005
Cost of properties sold recognised as an expense	60,810	42,872
Depreciation of property, plant and equipment included in:		
– other hotel operating expenses	11,502	10,891
– administrative expenses	332	352
Depreciation of right-of-use assets	4,295	1,684
Net foreign exchange loss	239	75
Loss on disposal of property, plant and equipment	118	45
Included in other income:		
Bank and other interest income	(598)	(1,745)
Interest income from receivables from customers of consumer finance service	(15,916)	(2,557)
Interest income from financial assets at FVTPL	(21,123)	(19,483)
Investment income from financial assets at fair value through other comprehensive income ("FVTOCI")	–	(2,683)
Government grants (<i>note</i>)	(1,270)	–
Rental income	(3,536)	(1,439)
	<hr/> <hr/>	<hr/> <hr/>

Note: During the current year, the Group recognised government grants of HK\$1,270,000 (2020: nil) in respect of Covid-19-related subsidies. The Group also received government grants as compensation of employee benefits expenses amounting to HK\$657,000 (2020: HK\$349,000) which have been offset against related expenses.

9. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>(34,068)</u>	<u>(29,497)</u>
	2021	2020
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<u>194,357,559</u>	<u>194,337,559</u>

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

10. TRADE AND OTHER RECEIVABLES

The hotel revenue is normally settled by cash or credit card. The Group allows an average credit period of 30 days to its trade customers of hotel business. The following is an aged analysis of trade receivables, presented based on invoice date:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables:		
0 to 30 days	118	3
31 to 60 days	2	21
61 to 90 days	5	4
91 days or above	<u>363</u>	<u>329</u>
	488	357
Prepayments and deposits	1,503	1,617
Other receivables (<i>note</i>)	<u>24,767</u>	<u>1,603</u>
	<u>26,758</u>	<u>3,577</u>

Note: Included in other receivables are receivable in relation to disposal of financial assets at FVTPL of HK\$8,884,000 (2020: nil) and dividend receivable from an associate of HK\$12,621,000 (2020: nil).

As at 1st August, 2019, trade receivables with customers amounted to HK\$1,739,000.

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

11. TRADE AND OTHER PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables:		
0 to 30 days	39	21
31 to 60 days	33	8
61 to 90 days	19	5
91 days or above	49	465
	<hr/>	<hr/>
	140	499
Accruals	2,838	2,979
Other payables (<i>note</i>)	23,872	8,348
	<hr/>	<hr/>
	26,850	11,826
	<hr/> <hr/>	<hr/> <hr/>

Note: The balance as at 31st July, 2021 included payable in relation to acquisition of financial assets at FVTPL amounting to HK\$11,493,000 (2020: nil).

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$712.0 million for the year ended 31st July, 2021 (2020: HK\$317.6 million), which comprised gross proceeds from sales of properties of HK\$109.9 million (2020: HK\$66.6 million), hotel operations of HK\$6.3 million (2020: HK\$33.7 million) and sales of securities and other business segments totaling HK\$595.8 million (2020: HK\$217.3 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2021 was HK\$34.1 million (2020: HK\$29.5 million).

The increase in loss in the year ended 31st July, 2021 was mainly the net effect of (i) increase in revenue from sale of properties; (ii) decline in hotel revenue due to the Covid-19 pandemic; (iii) cost reduction measures taken by the hotel operation including decrease in head count; and (iv) decrease in fair value of the Group's financial investment portfolio.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31st July, 2021, the Group had bank balances and cash of HK\$222.4 million (2020: HK\$333.1 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$265.2 million (2020: HK\$217.3 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2021 (2020: Nil).

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 20.0% at 31st July, 2021 (2020: 26.5%).

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, 2021, the principal activities of the Group are property development, hotel operation, financial investment and related activities.

Property investment and development

Sales activities of the residential project alongside Hotel Fortuna, Foshan, the People's Republic of China ("PRC") continue and revenue from sales of property amounting to HK\$109.9 million has been recognised for the year ended 31st July, 2021 (2020: HK\$66.6 million). At 31st July, 2021, deposits for units pending hand over of approximately HK\$32.9 million (2020: HK\$20.9 million) was recorded and the unsold saleable floor area of approximately 13.2% of this high-rise residential development is expected to further contribute to the Group's revenue in the near term.

Hotel operation

The Group has a 75% effective interest in Hotel Fortuna, Foshan with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC. Although the operation of the hotel was gradually resuming since early August 2020 following the temporarily suspension started from late January, 2020, the occupancy rate and food and beverage sales remains at a low level under the effect of the pandemic. During the year ended 31st July, 2021, the hotel's occupancy rate dropped to approximately 11.1% and recorded a turnover of approximately HK\$6.3 million in compared to turnover of approximately HK\$33.7 million in the year ended 31st July, 2020.

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 occupancy rate dropped to approximately 50.5% and recorded a turnover of approximately HK\$112.3 million in year 2020 compared to approximately HK\$230.9 million in 2019.

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 July, 2021, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK\$117.7 million (2020: HK\$26.4 million) and marketable debt securities of HK\$147.5 million (2020: HK\$190.9 million).

Listed equity securities of HK\$117.7 million (2020: HK\$26.4 million), representing approximately 44.4% (2020: 12.1%) of the investment portfolio, consist of 6 equity securities (2020: 1) 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 4.5% (2020: 2.2%) of the Group’s total assets, and that of the five largest equity securities held represents approximately 10.4%. Approximately 64.7% (2020: 0%) of these equity securities are constituents of the Hang Seng Index and approximately 24.2% (2020: 100%) 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 year, the equity portfolio gave rise to a net fair value gain of HK\$3.0 million (2020: fair value loss of HK\$7.0 million) and dividend income of HK\$5.5 million (2020: HK\$2.4 million).

As at 31st July, 2021, the Group had 14 listed (2020: 19) and 1 unlisted (2020: Nil) debt securities representing approximately 55.6% (2020: 87.9%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 2.3% (2020: 3.3%) of the Group’s total assets, and that of the five largest debt securities held represents approximately 7.7% (2020: 7.6%). The remaining 10 (2020: 14) debt securities represent 5.3% (2020: 8.4%) of the Group’s total assets, each ranging from 0.3% to 0.9% (2020: 0.1% to 0.9%). All (2020: approximately 95.9%) of these debt securities are related to PRC-based real estate companies.

During the year, the debts portfolio gave rise to a net fair value loss of HK\$34.9 million (2020: fair value loss of HK\$0.6 million) and interest income of HK\$21.1 million (2020: HK\$19.5 million).

CONTINGENT LIABILITIES

At 31st July, 2021, the Group provided guarantees of approximately HK\$31.2 million (2020: HK\$50.3 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, 2021, the Group had approximately 80 employees of whom approximately 40 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2021 amounted to approximately HK\$18.3 million (2020: HK\$39.3 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 Group launched a money lending service in 2018 facilitated by a money lender licence held by the Group. The service consist 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 and maintained a net loan portfolio of HK\$53.7 million as at 31st July, 2021 (2020: HK\$13.6 million) with approximately 3,500 users (2020: approximately 1,000 users). During the year, the loans recorded interest income of HK\$15.9 million (2020: HK\$2.6 million) and impairment losses under expected credit loss model on receivables amounting to HK\$12.0 million (2020: HK\$1.3 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 income of the Group.

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.

PLEDGE OF ASSETS

Bank deposit of HK\$644,000 (2020: HK\$643,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2020: HK\$600,000) granted to the Group. No credit facilities (2020: HK\$4,000) were utilised by the Group as at 31st July, 2021.

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, 2021, 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:

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 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.

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 10th December, 2020 due to the COVID-19 pandemic.

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, 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

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

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

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

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

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2021.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting of the Company will be held on Thursday, 9th December, 2021. The Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

BOOK CLOSURE

The register of members will be closed from Monday, 6th December, 2021 to Thursday, 9th December, 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Thursday, 9th December, 2021, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 3rd December, 2021.

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

Hong Kong, 26th October, 2021

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