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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 31 JULY 2024**

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 31 July 2024, 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 31 July 2024

| | <i>Notes</i> | 2024 HK\$'000 | 2023 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Revenue | | | |
| Contracts with customers | 5 | 29,061 | 8,148 |
| Interest under effective interest method | 5 | 27,338 | 28,728 |
| Cost of sales | | (9,644) | (510) |
| Direct operating costs | | (4,005) | (3,070) |
| | | <hr/> | <hr/> |
| Gross profit | | 42,750 | 33,296 |
| Other gains and losses | 6 | (6,271) | (5,242) |
| Impairment losses under expected credit loss (“ECL”) model, net | | (9,406) | (13,794) |
| Other income | | 17,298 | 14,510 |
| Marketing expenses | | (3,959) | (5,637) |
| Administrative expenses | | (45,127) | (45,283) |
| Other hotel operating expenses | | (11,069) | (11,385) |
| Share of profit (loss) of an associate | | 20,287 | (991) |
| Finance costs | 7 | (49) | (33) |
| | | <hr/> | <hr/> |
| Profit (loss) before taxation | | 4,454 | (34,559) |
| Income tax (expense) credit | 8 | (667) | 862 |
| | | <hr/> | <hr/> |
| Profit (loss) for the year | 9 | 3,787 | (33,697) |

| | <i>Note</i> | 2024 HK\$'000 | 2023 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Other comprehensive expense: | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | <u>(3,260)</u> | <u>(18,465)</u> |
| Other comprehensive expense for the year | | <u>(3,260)</u> | <u>(18,465)</u> |
| Total comprehensive income (expense) for the year | | <u><u>527</u></u> | <u><u>(52,162)</u></u> |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | 5,569 | (29,967) |
| Non-controlling interests | | <u>(1,782)</u> | <u>(3,730)</u> |
| | | <u><u>3,787</u></u> | <u><u>(33,697)</u></u> |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | 3,085 | (43,835) |
| Non-controlling interests | | <u>(2,558)</u> | <u>(8,327)</u> |
| | | <u><u>527</u></u> | <u><u>(52,162)</u></u> |
| Earnings (loss) per share | | | |
| Basic – HK cents | <i>10</i> | <u><u>2.9</u></u> | <u><u>(15.4)</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2024

| | <i>Notes</i> | 2024 HK\$'000 | 2023 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 211,728 | 191,070 |
| Right-of-use assets | | 24,238 | 25,924 |
| Interest in an associate | <i>11</i> | 165,162 | 144,875 |
| Deposit and prepayment for a life insurance policy | | 11,539 | 11,560 |
| Receivables from customers of consumer finance service | | 17,059 | 17,510 |
| | | <hr/> 429,726 | <hr/> 390,939 |
| Current assets | | | |
| Properties held for sale | | 29,140 | 39,242 |
| Inventories | | 274 | 481 |
| Trade and other receivables | <i>12</i> | 12,923 | 33,531 |
| Receivables from customers of consumer finance service | | 48,013 | 60,320 |
| Amount due from an associate | <i>13</i> | 7,434 | 7,524 |
| Prepaid income tax | | 4,108 | 1,595 |
| Financial assets at fair value through profit or loss ("FVTPL") | | 99,841 | 78,367 |
| Pledged bank deposit | | 652 | 646 |
| Bank balances and cash | | 175,038 | 191,297 |
| | | <hr/> 377,423 | <hr/> 413,003 |
| Current liabilities | | | |
| Trade and other payables | <i>14</i> | 15,209 | 11,063 |
| Contract liabilities | | 244 | 2,110 |
| Amounts due to related parties | | 2,068 | 2,068 |
| Tax payable | | 4,072 | 1,890 |
| | | <hr/> 21,593 | <hr/> 17,131 |
| Net current assets | | <hr/> 355,830 | <hr/> 395,872 |
| Total assets less current liabilities | | <hr/> 785,556 | <hr/> 786,811 |
| Non-current liability | | | |
| Deferred tax liability | | 19,119 | 20,901 |
| Net assets | | <hr/> 766,437 | <hr/> 765,910 |

| | 2024 | 2023 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital and reserves | | |
| Share capital | 1,518,519 | 1,518,519 |
| Reserves | (695,471) | (698,556) |
| | <hr/> | <hr/> |
| Equity attributable to owners of the Company | 823,048 | 819,963 |
| Non-controlling interests | (56,611) | (54,053) |
| | <hr/> | <hr/> |
| Total equity | <u>766,437</u> | <u>765,910</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 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 engaged 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 August 2023 for the preparation of the consolidated financial statements:

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” 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 has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

Application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. The abolition of the offsetting mechanism did not have a material impact on the Group’s results and financial position.

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.

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

The financial information relating to the years ended 31 July 2024 and 2023 included in this preliminary announcement of annual results 2024 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 31 July 2023 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 31 July 2024 in due course.

For the years ended 31 July 2024 and 2023, 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 the unaudited consolidated financial statements (the “Books”) 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 (the “PRC”) (note 11). The ultimate controlling shareholders of Tin Fok are certain directors of the Company and their mother. The Group accounted for its interest in Tin Fok using equity method of accounting based on the Books of Tin Fok Group for the years ended 31 July 2024 and 2023 prepared in accordance with HKFRSs provided by management of Tin Fok. In preparing the Books 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 and interest receivable (the “Loan”) from a private company, being a related company of a former director, Mr. Sio Tak Hong (“Entity A”) in the Books of Tin Fok

As at 31 July 2023 and 1 August 2023, the Loan was unsecured, interest bearing with a maturity date of 30 September 2023 and no ECL allowance was recognised.

On 31 July 2024, Global Master Management Limited and Marco Rich Limited, shareholders of Tin Fok (together as “Indemnifiers”) and Entity A, entered into a deed of indemnity (the “Deed”) in favour of Tin Fok. Pursuant to the Deed, the Indemnifiers jointly agreed to, indemnify Tin Fok against all and any sums owed by Entity A under the Loan; apply all and any dividends payable to them in their capacities as shareholders of Tin Fok towards repayment of the Loan; irrevocably authorises Tin Fok to withhold and apply all and any dividends payable to them to give effect to the foregoing; and in their capacities as shareholders to exercise their respective voting rights for the purpose of approving any dividends payable to them by Tin Fok for the purpose of the Deed. Also, pursuant to the Deed, Entity A and Tin Fok have agreed that Entity A shall repay the Loan in instalments in accordance with a revised repayment schedule with the final repayment to be made on 30 November 2027. Also, on the same date, the shareholders of Tin Fok have adopted a dividend policy, whereby Tin Fok shall, at its best effort, distribute between 95% to 100% of its annual net profits as dividends but, amongst other conditions, only in the years where Tin Fok has generated positive net profits. During the year ended 31 July 2024, Tin Fok received repayments from Entity A on the Loan of HK\$80,000,000. As at 31 July 2024, the balance of the Loan on the books of Tin Fok was HK\$651,370,000 (2023: HK\$689,488,000).

For the purposes of equity accounting the results of Tin Fok Group for the year ended 31 July 2024, the management of Tin Fok and the management of the Group assessed the ECL of the Loan carried in the Books of Tin Fok Group, by taking into consideration of the financial position of Entity A and the fair value of the indemnity granted by the Indemnifiers pursuant to the Deed. On the basis of the foregoing, the management of Tin Fok and the management of the Group are of the view that the credit risk related to the Loan was not significantly increased and the amounts are still recoverable and therefore no ECL was recognised in Tin Fok’s Books for the year ended 31 July 2024 (2023: nil).

(b) 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.

(c) 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 an 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 amount are lower than the carrying amounts. As at 31 July 2024, the carrying amounts of property, plant and equipment and right-of-use assets relevant to hotel operations are HK\$211,582,000 (2023: HK\$190,898,000) and HK\$24,238,000 (2023: HK\$25,924,000) 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 operating and reportable segments:

For the year ended 31 July 2024

| | Hotel operations <i>HK\$'000</i> | Financial investment <i>HK\$'000</i> | Property <i>HK\$'000</i> | Consumer finance <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---------------------------------|--|--|-----------------------------|--|---------------------------------|
| Gross proceeds | 13,880 | 66,338 | 15,181 | 27,338 | 122,737 |
| Segment revenue | 13,880 | – | 15,181 | 27,338 | 56,399 |
| Segment (loss) profit | (11,622) | 840 | 5,162 | (2,459) | (8,079) |
| Unallocated income | | | | | 5,537 |
| Unallocated expenses | | | | | (13,242) |
| Finance costs | | | | | (49) |
| Share of profit of an associate | | | | | 20,287 |
| Profit before taxation | | | | | <u>4,454</u> |

For the year ended 31 July 2023

| | Hotel operations <i>HK\$'000</i> | Financial investment <i>HK\$'000</i> | Property <i>HK\$'000</i> | Consumer finance <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|-------------------------------|--|--|-----------------------------|--|---------------------------------|
| 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 | | | | | <u>(34,559)</u> |

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, central administration costs, directors' salaries, finance costs and share of profit (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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividend income from financial assets at FVTPL | 325 | 2,564 |
| Decrease in fair value of financial assets at FVTPL | (6,596) | (8,847) |
| Increase in fair value of derivative financial instruments | — | 1,041 |
| | <u>(6,271)</u> | <u>(5,242)</u> |

7 FINANCE COSTS

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interests on lease liabilities | — | 9 |
| Interests on overdraft in brokers' account | 49 | 24 |
| | <u>49</u> | <u>33</u> |

8 INCOME TAX EXPENSE (CREDIT)

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Tax expense (credit) comprises: | | |
| PRC land appreciation tax | | |
| Current tax | 2,204 | 152 |
| Deferred taxation | (1,537) | (1,014) |
| | <u>667</u> | <u>(862)</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 both 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 PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging (crediting):

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Directors' emoluments | 4,189 | 3,580 |
| Other staff costs | | |
| – Salaries and other benefits | 18,061 | 15,502 |
| – Retirement benefit scheme contributions | 1,413 | 754 |
| | <hr/> | <hr/> |
| Total employee benefit expenses | 23,663 | 19,836 |
| | <hr/> | <hr/> |
| Auditor's remuneration | | |
| – Current year | 1,950 | 2,950 |
| – Underprovision in prior year | – | 960 |
| | <hr/> | <hr/> |
| | 1,950 | 3,910 |
| | <hr/> | <hr/> |
| Cost of inventories recognised as an expense | 328 | 471 |
| Cost of properties sold recognised as an expense | 9,644 | 510 |
| Depreciation of property, plant and equipment included in: | | |
| – other hotel operating expenses | 9,687 | 9,986 |
| – administrative expenses | 137 | 112 |
| Depreciation of right-of-use assets | 1,382 | 1,490 |
| Net foreign exchange (gain) loss | (15) | 391 |
| Loss on disposal of property, plant and equipment | 227 | 1,125 |
| Included in other income: | | |
| Bank and other interest income | (6,125) | (4,811) |
| Interest income from financial assets at FVTPL | (7,219) | (4,025) |
| Rental income, net of direct operating expense | (1,869) | (2,949) |
| | <hr/> | <hr/> |
| | (15,213) | (11,785) |
| | <hr/> <hr/> | <hr/> <hr/> |

Note: During the current year, the Group received government grants as compensation of employee benefits expenses amounting to nil (2023: HK\$215,000, which have been offset against related expenses).

10 EARNINGS (LOSS) PER SHARE

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings per share | <u>5,569</u> | <u>(29,967)</u> |
| | 2024 | 2023 |
| Number of shares: | | |
| Number of ordinary shares for the purpose of basic earnings per share | <u>194,357,559</u> | <u>194,357,559</u> |

No diluted earnings per share was presented as there were no dilutive potential ordinary shares in issue for both years.

11 INTEREST IN AN ASSOCIATE

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of unlisted investments in an associate | 229,455 | 229,455 |
| Share of post-acquisition results and other comprehensive income, net of dividend received | <u>(64,293)</u> | <u>(84,580)</u> |
| | <u>165,162</u> | <u>144,875</u> |

At 31 July 2024 and 2023, details of the Group's associate are as follows:

| Name of entity | Place of incorporation/ principal place of operation | Proportion of quoted capital held by the Group | | Principal activities |
|-------------------------|--|--|-------|---|
| | | 2024 | 2023 | |
| Tin Fok (<i>note</i>) | Macau | 32.5% | 32.5% | Hotel operations and property investment |

Note: The ultimate controlling shareholders of Tin Fok are the directors of the Company, Ms. Sio Lai Na and Ms. Sio Lai Nga and their mother.

Included in the cost of investment in Tin Fok is goodwill of HK\$2,362,000 (2023: HK\$2,362,000) arising on acquisition of Tin Fok Group.

During the years ended 31 July 2024 and 2023, there were significant improvement in the hotel operation business. The management of the Group considers that as at 31 July 2024 and 2023, there was no indication of impairment of the Group's interest in Tin Fok Group.

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 these consolidated financial statements.

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Current assets (<i>note (i)</i>) | 87,497 | 707,723 |
| Non-current assets (<i>notes (i) and (ii)</i>) | 1,481,722 | 895,999 |
| Current liabilities | (362,449) | (406,714) |
| Non-current liabilities | (754,221) | (803,717) |
| Non-controlling interests | 48,374 | 45,212 |
| | <hr/> | <hr/> |
| Net assets attributable to owners of Tin Fok | 500,923 | 438,503 |
| | <hr/> | <hr/> |
| Revenue | 231,213 | 134,303 |
| | <hr/> | <hr/> |
| Profit (loss) and total comprehensive income (expense) for the year | 62,420 | (3,050) |
| | <hr/> | <hr/> |
| Group's share of profit (loss) of an associate | 20,287 | (991) |
| | <hr/> | <hr/> |

Notes:

- (i) Included in current assets and non-current assets is the balance of Loan of HK\$651,370,000 (2023: HK\$689,488,000), for which no ECL allowance was recognised. The Loan is interest bearing and had an original maturity date of 30 September 2023. On 31 July 2024, pursuant to the Deed, the maturity date of the Loan was extended to 30 November 2027 and accordingly portion of the Loan was reclassified as non-current assets. Also, pursuant to the Deed the Indemnifiers has jointly agreed to indemnify Tin Fok against all and any sums owed to Tin Fok under the Loan. Details of the Deed have been set out in note 4(a).
- (ii) As at 31 July 2024, included in the non-current assets of Tin Fok Group is property, plant and equipment in respect of hotel operations amounted HK\$584,321,000 (2023: HK\$612,119,000). As at 31 July 2024 and 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 the improvement in the hotel operations of Tin Fok.

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Net assets attributable to owners of Tin Fok | 500,923 | 438,503 |
| Proportion of the Group's ownership interest in Tin Fok | 32.5% | 32.5% |
| | <hr/> | <hr/> |
| Goodwill | 162,800 2,362 | 142,513 2,362 |
| | <hr/> | <hr/> |
| Carrying amount of the Group's interest in Tin Fok | 165,162 | 144,875 |
| | <hr/> | <hr/> |

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|-----------------------------------|-------------------------|-------------------------|
| Trade receivables: | | |
| 0 to 30 days | 243 | 274 |
| 31 to 60 days | 38 | 190 |
| 61 to 90 days | 38 | 5 |
| 91 days or above | 339 | 333 |
| | <hr/> | <hr/> |
| | 658 | 802 |
| Prepayments and deposits | 3,395 | 11,364 |
| Other receivables (<i>note</i>) | 8,870 | 21,365 |
| | <hr/> | <hr/> |
| | 12,923 | 33,531 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note: As at 31 July 2023, dividend receivable from an associate included in other receivables amounted to HK\$12,621,000. The dividend receivable was fully settled during the year ended 31 July 2024.

As at 1 August 2022, trade receivables with customers amounted to HK\$593,000.

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 not 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:

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|------------------|-------------------------|-------------------------|
| Trade payables: | | |
| 0 to 30 days | 108 | 62 |
| 31 to 60 days | 28 | 52 |
| 61 to 90 days | 8 | 28 |
| 91 days or above | 156 | 54 |
| | <hr/> | <hr/> |
| | 300 | 196 |
| Accruals | 2,057 | 3,527 |
| Other payables | 12,852 | 7,340 |
| | <hr/> | <hr/> |
| | 15,209 | 11,063 |
| | <hr/> <hr/> | <hr/> <hr/> |

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by Baker Tilly Hong Kong Limited, the auditor of the Company, regarding the Group’s consolidated financial statements for the year ended 31 July 2024.

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 31 July 2024, 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

Interest in an associate and amounts due from an associate and dividend receivables from an associate

The Group holds a 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 certain of the directors of the Company, Ms. Sio Lai Na and Ms. Sio Lai Nga and their mother. The Group accounts for its interest in Tin Fok using the equity method of accounting based on the unaudited consolidated financial statements (the “Books”) of Tin Fok and its subsidiary (together “Tin Fok Group”).

The predecessor independent auditor (the “Predecessor”) in its report dated 30 October 2023 stated that they were unable to obtain sufficient appropriate audit evidence they considered necessary to assess the amounts of (i) expected credit loss (“ECL”) allowance on a loan to and interest receivable (the “Loan”) of HK\$689,488,000 from a private company (“Entity A”), a related company of the former director of the Company, Mr. Sio Tak Hong (“Mr. Sio”) that should be recognised in the Books of Tin Fok Group for the year ended 31 July 2023 and (ii) ECL allowance on amount due from and dividend receivables from Tin Fok (collectively the “Receivables”) recognised in the consolidated financial statements of the Group for the year ended 31 July 2023. No ECL allowance on the Loan or the Receivables was made during the year ended 31 July 2023, as the management was of the view the amounts were recoverable. As the Predecessor considered that they were unable to obtain sufficient appropriate audit evidence of the foregoing, the Predecessor was unable to determine whether (i) the consequential share of loss and interest in the associate for and as at the year ended 31 July 2023 and (ii) the Receivables as at 31 July 2023 are free from material misstatements. The Predecessor’s opinion on the Group’s consolidated financial statements for the year ended 31 July 2023 was qualified accordingly.

As disclosed in Note 4(a) to the consolidated financial statements, on 31 July 2024, certain shareholders of Tin Fok (the “Indemnifiers”) and Entity A entered into a deed of indemnity (the “Deed”) in favour of Tin Fok. Pursuant to the Deed, the Indemnifiers jointly agreed to, indemnify Tin Fok against all and any sums owed by Entity A under the Loan.

Accordingly, during the year the management of Tin Fok and the management of the Group had assessed the ECL of the Loan carried in the Books of Tin Fok Group, by taking into consideration of the financial position of Entity A and the fair value of the indemnity granted by the Indemnifiers. Taking into account of the foregoing, the management of the Group is of the view that the credit risk related to the Loan is not significantly increased and the amounts are still recoverable. Therefore, no ECL allowance was recognised in respect of the Loan in the Books of Tin Fok Group for the year ended 31 July 2024.

During the year ended 31 July 2024, the dividend receivables from the associate amounting to HK\$12,621,000 was fully settled by Tin Fok. Also during the year, the management of the Group has assessed the financial position of Tin Fok Group and is of the view that the credit risk of the amount due from the associate of HK\$7,434,000 as at 31 July 2024 is not significantly increased and the amount is still recoverable. Therefore, no ECL was recognised in respect of the Receivables for the year ended 31 July 2024.

Our opinion on the current year’s consolidated financial statements of the Group is qualified only to the extent of the possible effects of the foregoing matter on the comparative financial information, the opening balances of interest in an associate and the Receivables as at 1 August 2023 and the consequential effect on the share of profit of the associate and the ECL allowance on the Receivables for the year ended 31 July 2024.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 July 2023 were audited by the Predecessor whose report dated 30 October 2023 expressed a qualified opinion on those consolidated financial statements as described in the Basis for qualified opinion section of our report.

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 the share of profit of an associate and the ECL allowance on the Receivables and the comparative information and the opening balances of interest in an associate and the Receivables. 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 profit of an associate and the ECL allowance on the Receivables and comparative information and the opening balances of interest in an associate and the Receivables 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\$122.7 million for the year ended 31 July 2024 (2023: HK\$192.2 million), which comprised gross proceeds from sales of properties of HK\$15.2 million (2023: HK\$1.1 million), consumer finance service of HK\$27.3 million (2023: HK\$28.7 million), hotel operations of HK\$13.9 million (2023: HK\$7.0 million) and sales of securities and other business segments totaling HK\$66.3 million (2023: HK\$155.3 million).

Profit for the year attributable to owners of the Company for the year ended 31 July 2024 was HK\$5.6 million (2023: loss of HK\$30.0 million).

The turnaround from loss to profit in the year ended 31 July 2024 was mainly attributable to the increase in revenue from the Group's hotel operations and sales of properties and share of profit of an associate of HK\$20.3 million in compare to the share of loss of HK\$1.0 million for the year ended 31 July 2023.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31 July 2024.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31 July 2024, the Group had bank balances and cash of HK\$175.7 million (2023: HK\$191.9 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$99.8 million (2023: HK\$78.4 million).

No bank and other borrowings (other than corporate credit card payable classified as “other payable”) were outstanding at 31 July 2024 (2023: Nil).

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ funds, was 4.9% at 31 July 2024 (2023: 4.6%).

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 31 July 2024, 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\$15.2 million (2023: HK\$1.1 million) has been recognised for the year ended 31 July 2024. The unsold saleable floor area of approximately 5.4% of this high-rise residential development, which mainly attributable to approximately 150 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\$27.3 million (2023: HK\$28.7 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 31 July 2024, the consumer finance business has approximately 3,000 users (2023: approximately 3,500 users) and maintained a net loan portfolio of HK\$65.1 million as at 31 July 2024 (2023: HK\$77.8 million) with loans to individual users ranging from HK\$2,000 to HK\$300,000 (2023: HK\$2,000 to HK\$120,000) with credit period up to 40 months (2023: 36 months). The receivables are unsecured and carry interest at fixed rate ranged from 4% to 45% (2023: 26% to 48%) which is determined based on factors including loan term,

principal amount and credit history of individual customer. Loan granted to approximately 73% (2023: 74%) of the customers are with principal amount of HK\$40,000 or below and approximately 74% (2023: 82%) 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 | |
|---------------------------------------|------------------|--------|
| | 2024 | 2023 |
| Principal amount: | | |
| Below HK\$20,000 | 33.2% | 35.2% |
| Below HK\$40,000 but over HK\$20,000 | 39.7% | 38.7% |
| Below HK\$80,000 but over HK\$40,000 | 26.0% | 24.9% |
| Below HK\$300,000 but over HK\$80,000 | 1.1% | 1.2% |
| | 100.0% | 100.0% |
| Credit period: | | |
| 6 months or less | 8.9% | 5.9% |
| 12 months or less but over 6 months | 26.0% | 40.2% |
| 18 months or less but over 12 months | 39.1% | 35.6% |
| 24 months or less but over 18 months | 16.5% | 11.1% |
| 40 months or less but over 24 months | 9.5% | 7.2% |
| | 100.0% | 100.0% |
| Interest rate: | | |
| Below 35% | 0.8% | 4.4% |
| Below 40% but over 35% | 40.4% | 55.2% |
| Below 45% but over 40% | 58.8% | 39.0% |
| Below 50% but over 45% | 0.0% | 1.4% |
| | 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 31 July 2024 and 31 July 2023.

(III) Basis of loan impairments assessment and analysis

Impairment losses under expected credit loss model on receivables amounting to HK\$9.4 million (2023: HK\$13.8 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 31 July 2024, the hotel achieved a growth in occupancy rate to approximately 24.0% (2023: 12.4%) and recorded a turnover of approximately HK\$13.9 million in compared to turnover of approximately HK\$7.0 million in the year ended 31 July 2023.

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 97.7% (2023: 72.8%) and turnover of approximately HK\$231.2 million during the year in compared to approximately HK\$134.3 million in 2023.

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 31 July 2024, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK\$32.7 million and debt securities of HK\$67.2 million (2023: debt securities of HK\$78.4 million).

Listed equity securities of HK\$32.7 million representing approximately 32.7% of the investment portfolio, consist of 1 equity securities which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and are constituents of the Hang Seng Index. The mark to market valuation of the equity security represents approximately 4.0% of the Group's total assets. The Group held no listed equity security as at 31 July 2023.

During the year, the equity portfolio gave rise to a net fair value loss of HK\$1.5 million (2023: HK\$0.1 million) and dividend income of HK\$0.3 million (2023: HK\$2.6 million).

As at 31 July 2024, the Group had 3 listed (2023: 6) and 1 unlisted (2023: 1) debt securities representing approximately 67.3% (2023: 100.0%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 3.5% (2023: 2.8%) of the Group's total assets, and that of the four largest debt securities held represents approximately 8.3% of the Group's total assets (2023: five largest debt securities held represents

approximately 9.4% of the Group's total assets). The remaining 2 debt securities held as at 31 July 2023, represent 0.4% of the Group's total assets, each ranging from 0.0% to 0.4%. Approximately 23.4% (2023: 71.1%) 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\$5.1 million (2023: HK\$8.8 million) and interest income of HK\$7.2 million (2023: HK\$4.0 million).

During the year ended 31 July 2022, the Group entered into certain derivative contracts in relation to the listed equity securities held by the Group and recorded a fair value gain of HK\$1.0 million during the year ended 31 July 2023.

CONTINGENT LIABILITIES

At 31 July 2024, the Group provided guarantees of approximately HK\$9.8 million (2023: HK\$15.1 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.

CAPITAL COMMITMENT

As at 31 July 2024, the Group had capital commitments of approximately HK\$4,954,000 (2023: nil) in relation to renovation works for the hotel operations.

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 31 July 2024, the Group had approximately 95 employees of whom approximately 65 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31 July 2024 amounted to approximately HK\$23.7 million (2023: HK\$19.8 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 Group's business, especially the hotel operation, continues to show improvement after the relaxation of COVID-19 restrictions.

Hotel Fortuna, Foshan is currently under phased renovation as to refresh the room facilities. Such renovation may bring pressure to the hotel's business in short term but is expected to improve the competitiveness of the hotel as to cope with the challenging market in Foshan area and further bust up the occupancy rate in the long run.

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\$652,000 (2023: HK\$646,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2023: HK\$600,000) granted to the Group, HK\$1,000 (2023: nil) of which were utilised by the Group.

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

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

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 July 2024, the Company complied with all applicable provisions of the Corporate Governance Code (the "Code") as set out in Appendix C1 (formerly Appendix 14) of the Listing Rules except for the following deviation:

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 C3 (formerly 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 BAKER TILLY HONG KONG LIMITED

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 31 July 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, 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 30 October 2024. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Baker Tilly Hong Kong Limited 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. Hung Ka Hai, Clement (Chairman), Mr. Yeung Chi Wai, 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 31 July 2024.

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

Hong Kong, 30 October 2024

As at the date of this announcement, the Board comprises Ms. Sio Lai Na, Mr. Chu Nin Yiu, Stephen as executive directors, Ms. Sio Lai Nga as non-executive director and Mr. Hung Ka Hai, Clement, Mr. Yeung Chi Wai, Mr. Wong Kwong Fat and Mr. Chan Shu Yan, Stephen as independent non-executive directors.