



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

INTERIM REPORT
2020 / 2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Sio Tak Hong (*Chairman*)
Chu Nin Yiu, Stephen (*Chief Executive Officer*)
Chu Nin Wai, David (*Deputy Chairman*)
Lau Chi Kan, Michael

Independent Non-Executive Directors

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

COMPANY SECRETARY

Cham Wing Yeung, Andrew

AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen
Cham Wing Yeung, Andrew

AUDIT COMMITTEE

Li Sze Kuen, Billy (*Chairman*)
Wong Kwong Fat
Leung Kam Fai

REMUNERATION COMMITTEE

Leung Kam Fai (*Chairman*)
Li Sze Kuen, Billy
Wong Kwong Fat
Chu Nin Yiu, Stephen

NOMINATION COMMITTEE

Wong Kwong Fat (*Chairman*)
Li Sze Kuen, Billy
Leung Kam Fai
Chu Nin Yiu, Stephen

LEGAL ADVISER

Reed Smith Richards Butler

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

Unit 1701, 17th Floor
YF Life Tower
33 Lockhart Road
Wan Chai, Hong Kong

STOCK CODE

193

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CAPITAL ESTATE LIMITED

冠中地產有限公司

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Capital Estate Limited (the “Company”) and its subsidiaries set out on pages 4 to 18, which comprise the condensed consolidated statement of financial position as of 31st January, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25th March, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2021

	NOTES	Six months ended	
		31.1.2021 HK\$'000 (unaudited)	31.1.2020 HK\$'000 (unaudited)
Revenue	4	42,638	83,171
Cost of sales		(22,560)	(31,816)
Direct operating costs		(1,400)	(21,855)
Gross profit		18,678	29,500
Other gain and loss	5	2,980	(7,019)
Other income		21,193	16,289
Marketing expenses		(2,170)	(5,672)
Administrative expenses		(23,543)	(34,999)
Other hotel operating expenses		(6,525)	(6,049)
Share of loss of an associate		(8,518)	(4,337)
Finance cost		(67)	–
Profit (loss) before taxation		2,028	(12,287)
Income tax expense	6	(4,050)	(8,402)
Loss for the period	7	(2,022)	(20,689)
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		27,381	(9,835)
Total comprehensive income (expense) for the period		25,359	(30,524)
(Loss) profit for the period attributable to:			
Owners of the Company		(3,231)	(17,906)
Non-controlling interests		1,209	(2,783)
		(2,022)	(20,689)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		17,305	(25,217)
Non-controlling interests		8,054	(5,307)
		25,359	(30,524)
Loss per share	8		
Basic – HK cents		(1.66)	(9.21)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2021

	NOTES	31.1.2021 HK\$'000 (unaudited)	31.7.2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	240,612	227,928
Right-of-use assets		36,566	36,097
Interest in an associate		191,593	200,111
Financial assets at fair value through other comprehensive income		–	–
Deposit and prepayment for a life insurance policy		11,629	11,644
		480,400	475,780
Current assets			
Properties held for sale		117,014	128,576
Inventories		1,435	1,446
Trade and other receivables	10	35,417	17,173
Amount due from an associate	17(b)	7,862	7,226
Prepaid income tax		18,546	15,797
Financial assets at fair value through profit or loss	11	226,445	217,283
Pledged bank deposit	16	643	643
Bank balances and cash		234,610	332,456
		641,972	720,600
Current liabilities			
Trade and other payables	12	9,699	11,826
Contract liabilities		25,034	21,161
Lease liabilities		2,875	2,727
Amounts due to related parties	17(b)	9,004	121,490
Tax payable		83,355	71,341
		129,967	228,545
Net current assets		512,005	492,055
Total assets less current liabilities		992,405	967,835
Non-current liabilities			
Deferred tax liability		30,058	29,405
Lease liabilities		1,530	2,972
		31,588	32,377
Net assets		960,817	935,458
Capital and reserves			
Share capital	13	1,518,519	1,518,519
Reserves		(517,381)	(534,686)
Equity attributable to owners of the Company		1,001,138	983,833
Non-controlling interests		(40,321)	(48,375)
Total equity		960,817	935,458

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2021

	Attributable to owners of the Company								Non-controlling interests	Total	
	Share capital	Capital reserve	Share option reserve	Capital reduction reserve	Translation reserve	Revaluation reserve	FVTOCI reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	
Balance at 1st August, 2019 (audited)	1,518,519	157	23,542	170,583	(2,018)	51,510	(73,778)	(694,977)	1,023,538	(42,564)	980,974
Loss for the period	-	-	-	-	-	-	-	(17,906)	(17,906)	(2,783)	(20,689)
Other comprehensive expense for the period	-	-	-	-	(7,311)	-	-	-	(7,311)	(2,524)	(9,835)
Total comprehensive expense for the period	-	-	-	-	(7,311)	-	-	(17,906)	(25,217)	(5,307)	(30,524)
Balance at 31st January, 2020 (unaudited)	1,518,519	157	23,542	170,583	(9,329)	51,510	(73,778)	(682,883)	998,321	(47,871)	950,450
Balance at 1st August, 2020 (audited)	1,518,519	157	23,542	170,583	(12,226)	51,510	(73,778)	(694,474)	983,833	(48,375)	935,458
(Loss) profit for the period	-	-	-	-	-	-	-	(3,231)	(3,231)	1,209	(2,022)
Other comprehensive income for the period	-	-	-	-	20,536	-	-	-	20,536	6,845	27,381
Total comprehensive income (expense) for the period	-	-	-	-	20,536	-	-	(3,231)	17,305	8,054	25,359
Balance at 31st January, 2021 (unaudited)	1,518,519	157	23,542	170,583	8,310	51,510	(73,778)	(697,705)	1,001,138	(40,321)	960,817

Note: "FVTOCI" represents fair value through other comprehensive income.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2021

	Six months ended	
	31.1.2021 HK\$'000 (unaudited)	31.1.2020 HK\$'000 (unaudited)
Net cash from operating activities		
Profit (loss) before taxation	2,028	(12,287)
(Increase) decrease in financial assets at fair value through profit or loss	(6,182)	1,270
Decrease in properties held for sale	22,560	31,816
Increase (decrease) in contract liabilities	2,063	(9,309)
Increase in trade and other receivables	(17,447)	(5,662)
Other items	3,549	5,156
	6,571	10,984
Net cash from investing activities		
Interest received	5,530	2,086
Proceeds from disposal of property, plant and equipment	82	25
Purchase of property, plant and equipment	(12)	(490)
Advance to an associate	(2)	(1,518)
	5,598	103
Net cash used in financing activities		
Repayment of advances from related parties	(113,033)	(153,464)
Repayments of lease liabilities	(1,294)	–
Interest on lease liabilities paid	(67)	–
	(114,394)	(153,464)
Net decrease in cash and cash equivalents	(102,225)	(142,377)
Cash and cash equivalents at beginning of the period	332,456	356,316
Effect of foreign exchange rate changes	4,379	(4,000)
Cash and cash equivalents at end of the period, represented by bank balances and cash	234,610	209,939

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Capital Estate Limited (the "Company") have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31st July, 2020 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st July, 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. In response to the preventive policies and measures taken by local governments to prevent the spread of the Covid-19 epidemic, the Group's hotel operation in Mainland China has been suspended in January 2020. The operation of the hotel has partly resumed in early August 2020 but under the impact of the pandemic, occupancy rate and food and beverage sales remains at a low level and revenue from hotel operations decreased during the current interim period.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st January, 2021 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31st July, 2020.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1st August, 2020 for the preparation of the Group’s condensed 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
Amendment 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 period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

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 period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31st July, 2021.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended	
	31.1.2021 HK\$'000	31.1.2020 HK\$'000
Type of goods or service		
Revenue from hotel operations		
– Room rentals	2,557	12,810
– Food and beverage sales	199	20,913
– Rendering of ancillary services	88	79
Revenue from sale of properties held for sale	39,794	49,369
	42,638	83,171
Geographical market		
Mainland China	42,638	83,171
Timing of revenue recognition		
A point in time	40,081	70,361
Overtime	2,557	12,810
	42,638	83,171

Segment information

The Group's reportable and operating segments, based on information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purpose of resource allocation and performance assessment 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.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

Six months ended 31st January, 2021

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Total HK\$'000
Gross proceeds	2,844	116,025	39,794	158,663
Segment revenue	2,844	–	39,794	42,638
Segment (loss) profit	(7,487)	14,259	16,372	23,144
Unallocated income				6,252
Unallocated expenses				(18,783)
Finance cost				(67)
Share of loss of an associate				(8,518)
Profit before taxation				2,028

Six months ended 31st January, 2020

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Total HK\$'000
Gross proceeds	33,802	70,650	49,369	153,821
Segment revenue	33,802	–	49,369	83,171
Segment (loss) profit	(17,793)	2,965	15,199	371
Unallocated income				4,312
Unallocated expenses				(12,633)
Share of loss of an associate				(4,337)
Loss before taxation				(12,287)

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

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

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

For the six months ended 31st January, 2021

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
Depreciation of property, plant and equipment	(5,754)	–	–	(182)	(5,936)
Depreciation of right-of-use assets	(771)	–	–	(1,376)	(2,147)
Interest income from financial assets at fair value through profit or loss ("FVTPL")	–	11,473	–	–	11,473
Bank and other interest income	93	–	–	6,252	6,345
(Loss) gain on disposal of property, plant and equipment	(123)	–	–	5	(118)

For the six months ended 31st January, 2020

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
Depreciation of property, plant and equipment	(5,336)	–	–	(122)	(5,458)
Depreciation of right-of-use assets	(713)	–	–	–	(713)
Interest income from financial assets at FVTPL	–	10,100	–	–	10,100
Bank and other interest income	804	–	–	1,443	2,247
(Loss) gain on disposal of property, plant and equipment	(6)	–	–	25	19

5. OTHER GAIN AND LOSS

	Six months ended	
	31.1.2021 HK\$'000	31.1.2020 HK\$'000
Increase (decrease) in fair value of financial assets at FVTPL	2,980	(7,019)

6. INCOME TAX EXPENSE

	Six months ended	
	31.1.2021 HK\$'000	31.1.2020 HK\$'000
Income tax expense comprises:		
Current tax		
PRC enterprise income tax	-	(5,111)
PRC land appreciation tax	(5,912)	(5,653)
Deferred taxation	(1,862)	(10,764)
	(4,050)	(8,402)

No provision for Hong Kong Profits Tax has been made for both periods as the Company and its subsidiaries did not generate any assessable profits for the periods or have available tax losses brought forward from prior years to offset against assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the PRC is 25%.

The provision for PRC land appreciation tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

No provision for PRC enterprise income tax has been made for the period ended 31st January, 2021 as the subsidiary in the PRC did not generate any assessable profit for the period.

7. LOSS FOR THE PERIOD

	Six months ended	
	31.1.2021 HK\$'000	31.1.2020 HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– other hotel operating expenses	5,754	5,336
– administrative expenses	182	122
Depreciation of right-of-use assets	2,147	713
Loss (gain) on disposal of property, plant and equipment	118	(19)
Included in other income:		
– Bank and other interest income	(6,345)	(2,247)
– Interest income from financial assets at FVTPL	(11,473)	(10,100)
– Investment income from financial assets at FVTOCI	–	(2,683)

8. LOSS PER SHARE

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

	Six months ended	
	31.1.2021 HK\$'000	31.1.2020 HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	(3,231)	(17,906)

	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic loss per share	194,337,559	194,337,559

No diluted loss per share is presented for both interim periods as there are no dilutive potential ordinary shares during both periods.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for a cash consideration of HK\$12,000 (six months ended 31st January, 2020: HK\$490,000).

In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$200,000 for proceeds of HK\$82,000, resulting in a loss on disposal of HK\$118,000 (for the six months ended 31st January, 2020: aggregate carrying amount of HK\$6,000 for proceeds of HK\$25,000, resulting in a gain on disposal of HK\$19,000).

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 analysis of trade receivables, presented based on invoice date.

	31.1.2021 HK\$'000	31.7.2020 HK\$'000
0 to 30 days	140	3
31 to 60 days	15	21
61 to 90 days	1	4
91 days or above	281	329
	437	357

As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure that relevant information about specific debtors is updated.

During the six months ended 31st January, 2021, no impairment allowance (six months ended 31st January, 2020: nil) was recognised for trade receivables based on the provision matrix.

Included in other receivables are receivables from customers of consumer finance business of HK\$31,086,000 (31st July, 2020: HK\$13,596,000)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.1.2021 HK\$'000	31.7.2020 HK\$'000
Listed equity securities in Hong Kong	32,902	26,373
Listed debt securities in Hong Kong	47,346	57,298
Listed debt securities overseas	146,197	133,612
	226,445	217,283

The fair values of the above investments were determined based on the quoted market bid prices at the close of business at the end of the reporting period.

12. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables, presented based on invoice date.

	31.1.2021	31.7.2020
	HK\$'000	HK\$'000
0 to 30 days	81	21
31 to 60 days	70	8
61 to 90 days	20	5
91 days or above	56	465
	227	499

13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1st August, 2019, 31st July, 2020 and 31st January, 2021	194,337,559	1,518,519

14. SHARE-BASED PAYMENT TRANSACTIONS

The Company had a share option scheme adopted on 7th December, 2012 which will expire on 6th December, 2022.

No share option was granted or remained outstanding under the scheme during both periods.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs and sensitivity analysis
	31.1.2021 HK\$'000	31.7.2020 HK\$'000			
Listed equity securities at FVTPL	32,902	26,373	Level 1	Quoted bid prices in active market	N/A
Listed debt securities at FVTPL	193,543	190,910	Level 1	Quoted bid prices in active market	N/A
Unlisted equity securities at FVTOCI	-	-	Level 3	Income approach – discounted cash flows method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee	The expected future economic benefits to be derived from the ownership of the investee. The higher the expected future economic benefits, the higher the fair value, and vice versa.

There is no movement for the financial instruments classified as Level 3 of the fair level hierarchy during both periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their respective fair values.

16. PLEDGE OF ASSETS

At 31st January, 2021, bank deposit of HK\$643,000 (31st July, 2020: HK\$643,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (31st July, 2020: HK\$600,000) granted to the Group, of which HK\$3,000 (31st July, 2020: HK\$4,000) was utilised by the Group.

17. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel:

The remuneration of directors, who are the key management personnel of the Group, during the period was as follows:

	Six months ended	
	31.1.2021 HK\$'000	31.1.2020 HK\$'000
Short-term benefits	3,012	3,111
Post-employment benefits	18	18
	3,030	3,129

The remuneration of the key management personnel is determined by the board of directors of the Company after considering recommendation from the Remuneration Committee, having regard to the performance of individuals and market trends.

(b) Other related party transactions and balances

The amount due from an associate is unsecured, non-interest bearing, non-trade in nature and repayable on demand. The associate is controlled by Mr. Sio Tak Hong, who is a director and a substantial shareholder of the Company with significant influence over the Company.

The amounts due to related parties are unsecured, non-interest bearing, non-trade in nature and repayable on demand. They comprise amounts due to the following parties:

	31.1.2021 HK\$'000	31.7.2020 HK\$'000
Non-controlling shareholders of certain subsidiaries of the Company	2,068	115,100
Director of certain subsidiaries of the Company	6,936	6,390
	9,004	121,490

18. FINANCIAL GUARANTEES

At 31st January, 2021, the Group provided guarantees of HK\$9,780,000 (31st July, 2020: HK\$50,298,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company consider that the fair value on initial recognition and ECL of such guarantees and at the end of reporting period was insignificant.

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of HK\$42.6 million for the six months ended 31st January, 2021, which comprised mainly income from sale of properties of HK\$39.8 million and hotel operations of HK\$2.8 million, as compared to HK\$83.2 million for the same period last year which comprised mainly income from sale of properties of HK\$49.4 million and hotel operations of HK\$33.8 million.

Net loss attributable to owners of the Company for the six months ended 31st January, 2021 was HK\$3.2 million, as compared to HK\$17.9 million for the same period last year.

The decrease in loss in the six-month period ended 31st January, 2021 was mainly the combined result of (i) slow down of sale of properties and decline in hotel revenue due to the Covid-19 pandemic; (ii) cost reduction measures taken by the hotel operation including decrease in head count; and (iii) increase in fair value of the Group's financial investment portfolio in compared to a decrease in fair value in the six-month period ended 31st January, 2020. The loss in the six-month period ended 31st January, 2020 included redundant provision of HK\$9.5 million in relation to Hotel Fortuna, Foshan.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2021, the Group had bank balances and cash of HK\$235.3 million (31st July, 2020: HK\$333.1 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$226.4 million (31st July, 2020: HK\$217.3 million).

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

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds was 16.1% at 31st January, 2021 (31st July, 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 six months ended 31st January, 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\$39.8 million has been recognised for the six months ended 31st January, 2021 (six months ended 31st January, 2020: HK\$49.4 million). The sale has been slowed down during the period due to the external economic environment and approximately 19.6% of saleable floor area remained unsold as at 31st January, 2021 which mainly attributable to approximately 210 car park space. At 31st January, 2021, deposits for units pending hand over of approximately HK\$24.8 million (31st July, 2020: HK\$20.9 million) was recorded and more contribution from this high-rise residential development to the Group's revenue is expected 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 six months ended 31st January, 2021, the hotel's occupancy rate dropped to approximately 9.7% and recorded a turnover of approximately HK\$2.8 million in compared to turnover of approximately HK\$33.8 million in the six months ended 31st January, 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 listed securities with attractive return and satisfactory rating, including debt securities. The investment portfolio, under close monitoring by the management, is expected to generate stable income and can be liquidated swiftly to support the Group's operations and cash requirements when needed.

As at 31st January, 2021, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK\$32.9 million (31st July, 2020: HK\$26.4 million) and listed debt securities of HK\$193.5 million (31st July, 2020: 190.9 million).

Listed equity securities of HK\$32.9 million (31st July, 2020: HK\$26.4 million), which consist entirely of shares in BOCOM International Holdings Company Limited (stock code: 3329), recorded an unrealised gain from fair value changes of HK\$6.5 million during the period (six-month period ended 31st January, 2020: unrealised loss of HK\$5.2 million). Further details of the investment are set out in the Company's announcements dated 5th May, 2017 and 18th May, 2017.

As at 31st January, 2021, the Group had 11 listed debt securities (31st July, 2020: 19) representing approximately 85.5% (31st July, 2020: 87.9%) of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 3.5% (31st July, 2020: 3.3%) of the Group's total assets, and that of the five largest debt securities held represents approximately 10.8% (31st July, 2020: 7.6%). The remaining 6 (31st July, 2020: 14) debt securities represent 6.4% (31st July, 2020: 8.4%) of the Group's total assets, each ranging from 0.4% to 1.4% (31st July, 2020: 0.1% to 0.9%). Approximately 91.7% (31st July, 2020: 95.9%) of these debt securities are related to PRC-based real estate companies.

During the period, the debts portfolio gave rise to a net unrealised fair value gain of HK\$2.6 million (six-month period ended 31st January, 2020: fair value loss of HK\$1.4 million) and interest income of HK\$11.5 million (six-month period ended 31st January, 2020: HK\$10.1 million).

PROSPECTS

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

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

CONTINGENT LIABILITY

At 31st January, 2021, the Group provided guarantees of approximately HK\$9.8 million (31st July, 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.

PLEDGE OF ASSETS

At 31st January, 2021, bank deposit of HK\$643,000 of the Group was pledged to a bank to secure credit facilities to the extent of HK\$600,000 granted to the Group, of which HK\$3,000 (31st July, 2020: HK\$4,000) was utilised by the Group.

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.

OTHER INFORMATION

SHARE OPTIONS

Pursuant to a resolution passed on 7th December 2012, the existing share option scheme was adopted (the "Scheme").

No share options was outstanding at the beginning of the period or granted during the period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st January, 2021, the interests of the directors and chief executive and their associates in the shares, and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

LONG POSITIONS

(I) The Company

Ordinary shares of the Company

Name of Director	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Sio Tak Hong ("Mr. Sio")	3,885,000	1,836,825	64,580,625 (Note 1)	70,302,450	36.2%
Chu Nin Yiu, Stephen ("Mr. Chu")	1,777,500	-	25,008,555 (Note 2)	26,786,055	13.8%
Lau Chi Kan, Michael	145,375	-	-	145,375	0.1%

Notes:

- Mr. Sio was deemed to be interested in the 64,580,625 shares in the Company held through Fullkeen Holdings Limited ("Fullkeen"), which is in turn 70% owned by Mr. Sio.
- Mr. Chu was deemed to be interested in the 25,008,555 shares in the Company held through Supervalve Holdings Limited ("Supervalve"), which is in turn wholly owned by Mr. Chu.

(II) Associated corporation

Name of Director	Associated Corporation	Number of shares held			Total	Percentage of the issued share capital of the associated corporation
		Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Mr. Sio	Tin Fok Holding Company Limited	-	-	1,270 (Note 1)	1,270	63.5%
Mr. Chu	Tin Fok Holding Company Limited	-	-	170 (Note 2)	170	8.5%

Notes:

1. Mr. Sio was deemed to be interested in the 1,270 shares in the associated corporation in which 1,100 shares were held through Global Master Management Limited, which is in turn 42.0% owned by spouse of Mr. Sio, and 170 shares were held through Macro Rich Limited, which is turn 41.2% owned by Global Master Management Limited.
2. Mr. Chu was deemed to be interested in the 170 shares in the associated corporation held through Macro Rich Limited, which is in turn 58.8% owned by Mr. Chu.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares and underlying shares of the Company or any of its associated corporations as at 31st January, 2021.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section "Share Options", at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31st January, 2021, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company:

LONG POSITIONS

Ordinary shares of the Company

Name of shareholder	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Fullkeen	64,580,625	–	–	64,580,625	33.2%
Mr. Sio	3,885,000	1,836,825	64,580,625 (Note 1)	70,302,450	36.2%
Supervalue	25,008,555	–	–	25,008,555	12.9%
Mr. Chu	1,777,500	–	25,008,555 (Note 2)	26,786,055	13.8%

Notes:

1. Mr. Sio was deemed to be interested in the 64,580,625 shares in the Company held through Fullkeen, which is in turn 70% owned by Mr. Sio.
2. Mr. Chu was deemed to be interested in the 25,008,555 shares in the Company held through Supervalue, which is in turn wholly owned by Mr. Chu.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st January, 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2021.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2021 with all applicable provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules except for the following deviation:–

1. Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors of the Company are not appointed for a specific term as they are subject to rotation at annual general meetings in accordance with Article 103(A) of the Company’s Articles of Association. The Company will ensure that all directors retire at regular intervals.

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

The Chairman of the Board was unable to attend the Company’s annual general meeting which was held on 10th December, 2020 due to the COVID-19 pandemic.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 31st January, 2021.

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

During the six months ended 31st January, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board
CAPITAL ESTATE LIMITED
Sio Tak Hong
Chairman

Hong Kong, 25th March, 2021

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