

The background of the entire page is a complex, abstract pattern of light blue and white wavy lines. These lines are arranged in a grid-like fashion, creating a sense of depth and movement. The lines are thin and closely spaced, forming a series of overlapping, undulating shapes that resemble stylized waves or a digital grid. The overall effect is clean, modern, and tech-oriented.

NATIONAL ELECTRONICS HOLDINGS LIMITED
Stock Code: 213

INTERIM REPORT 2015

2015 INTERIM REPORT

The Board (the “Board”) of Directors (the “Directors”) of National Electronics Holdings Limited (“the Company”) would like to present the interim results of the Company and its subsidiaries (together, “the Group”) for the six months ended 30 September 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	646,944	836,368
Cost of sales		(539,215)	(686,580)
Gross profit		107,729	149,788
Other income	4	9,336	21,630
Other losses	5	(6,912)	(3,162)
Increase in fair value of investment properties	11	4,486	16,305
Distribution costs		(4,319)	(4,094)
Administrative expenses		(49,497)	(72,822)
Finance costs	6	(30,195)	(28,234)
Share of results of associates		(30)	2,321
Profit before taxation	7	30,598	81,732
Income tax expense	8	(7)	(406)
Profit for the period		30,591	81,326
Earnings per share	9		<i>(Restated)</i>
Basic		2.97 HK cents	7.88 HK cents
Diluted		2.95 HK cents	7.84 HK cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	30,591	81,326
Other comprehensive expense		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(20,995)	(898)
Other comprehensive expense for the period	(20,995)	(898)
Total comprehensive income for the period	9,596	80,428

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2015*

		30 September 2015 (unaudited) HK\$' 000	31 March 2015 (audited) HK\$' 000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	11	2,646,354	2,657,048
Property, plant and equipment		555,506	568,771
Prepaid lease payments		2,743	2,777
Goodwill		1,270	1,270
Interests in associates		7,796	7,826
Interest in a joint venture		—	—
Available-for-sale investments		60,657	60,583
Held-to-maturity investments		3,033	3,033
Deferred tax assets		7,388	7,736
		<u>3,284,747</u>	<u>3,309,044</u>
CURRENT ASSETS			
Inventories		131,482	131,876
Prepaid lease payments		68	68
Held-to-maturity investments		—	7,529
Investment held for trading		24,412	8,224
Inventory of unsold properties		5,944	6,215
Properties under development for sale		1,566,532	1,179,532
Bills receivables	12	1,487	543
Trade receivables, deposits and prepayments	12	209,707	169,633
Amount due from a joint venture		29,650	21,600
Tax recoverable		112	112
Bank balances and cash		547,266	439,995
		<u>2,516,660</u>	<u>1,965,327</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30 September 2015

		30 September	31 March
		2015	2015
		(unaudited)	(audited)
	<i>Notes</i>	<i>HK\$' 000</i>	<i>HK\$' 000</i>
CURRENT LIABILITIES			
Trade payables, customers' deposits and accrued expenses	13	167,423	156,005
Bills payables	13	90,117	81,780
Amount due to an associate		46,816	46,816
Tax payable		9,909	4,960
Obligations under finance leases		4,413	4,825
Bank loans		759,671	627,949
		<u>1,078,349</u>	<u>922,335</u>
NET CURRENT ASSETS		<u>1,438,311</u>	<u>1,042,992</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,723,058</u>	<u>4,352,036</u>
CAPITAL AND RESERVES			
Share capital	14	102,656	93,557
Reserves		1,620,230	1,650,050
TOTAL EQUITY		<u>1,722,886</u>	<u>1,743,607</u>
NON-CURRENT LIABILITIES			
Provision for long service payments		6,072	6,072
Obligations under finance leases		26,297	28,471
Bank loans		2,896,379	2,497,813
Deferred tax liabilities		71,424	76,073
		<u>3,000,172</u>	<u>2,608,429</u>
		<u>4,723,058</u>	<u>4,352,036</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Share capital <i>HKS' 000</i>	Share premium <i>HKS' 000</i>	Exchange reserve <i>HKS' 000</i>	Revaluation reserve <i>HKS' 000</i>	Share options reserve <i>HKS' 000</i>	Contributed surplus <i>HKS' 000</i>	Capital redemption reserve <i>HKS' 000</i>	Retained profits <i>HKS' 000</i>	Total <i>HKS' 000</i>
At 1 April 2014 (audited)	94,041	33,178	(4,944)	47,677	2,833	66,142	36,791	1,452,726	1,728,444
Profit for the period	—	—	—	—	—	—	—	81,326	81,326
Other comprehensive expense for the period	—	—	(898)	—	—	—	—	—	(898)
Total comprehensive (expense)/income for the period	—	—	(898)	—	—	—	—	81,326	80,428
Exercise of share options	30	265	—	—	(67)	—	—	—	228
Dividends recognised as distribution	—	—	—	—	—	—	—	(42,175)	(42,175)
Repurchase of own shares	(400)	—	—	—	—	—	400	(3,546)	(3,546)
At 30 September 2014	<u>93,671</u>	<u>33,443</u>	<u>(5,842)</u>	<u>47,677</u>	<u>2,766</u>	<u>66,142</u>	<u>37,191</u>	<u>1,488,331</u>	<u>1,763,379</u>
At 1 April 2015 (audited)	93,557	33,443	(70,846)	47,227	2,766	66,142	37,305	1,534,013	1,743,607
Profit for the period	—	—	—	—	—	—	—	30,591	30,591
Other comprehensive expense for the period	—	—	(20,995)	—	—	—	—	—	(20,995)
Total comprehensive (expense)/income for the period	—	—	(20,995)	—	—	—	—	30,591	9,596
Dividends recognised as distribution	—	—	—	—	—	—	—	(28,037)	(28,037)
Repurchase of own shares	(247)	—	—	—	—	—	247	(2,280)	(2,280)
Issue of bonus shares	9,346	(9,346)	—	—	—	—	—	—	—
At 30 September 2015	<u>102,656</u>	<u>24,097</u>	<u>(91,841)</u>	<u>47,227</u>	<u>2,766</u>	<u>66,142</u>	<u>37,552</u>	<u>1,534,287</u>	<u>1,722,886</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015 (unaudited) <i>HK\$' 000</i>	2014 (unaudited) <i>HK\$' 000</i>
Net cash generated from operating activities	37,078	36,265
Net cash used in investing activities	(446,557)	(1,098,953)
Net cash generated from financing activities	518,733	918,186
Net increase/(decrease) in cash and cash equivalents	109,254	(144,502)
Cash and cash equivalents at 1 April	439,995	646,094
Effect of foreign exchange rate changes	(1,983)	(274)
Cash and cash equivalents at 30 September	547,266	501,318
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	547,266	501,318

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

(1) BASIS OF PREPARATION

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

(2) PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

(3) SEGMENT INFORMATION

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

Six months ended 30 September 2015

	Manufacture of watches and trading of watch movements <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	<u>599,217</u>	<u>4,161</u>	<u>43,566</u>	<u>646,944</u>
RESULT				
Segment result	<u>21,498</u>	<u>12,047</u>	<u>26,735</u>	<u>60,280</u>
Bank interest income				1,706
Unallocated other income				6,074
Unallocated other expenses				(7,237)
Finance costs				(30,195)
Share of results of associates				<u>(30)</u>
Profit before taxation				30,598
Income tax expense				<u>(7)</u>
Profit for the period				<u>30,591</u>

(3) **SEGMENT INFORMATION** *(continued)*

Six months ended 30 September 2014

	Manufacture of watches and trading of watch movements <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	<u>623,633</u>	<u>190,868</u>	<u>21,867</u>	<u>836,368</u>
RESULT				
Segment result	<u>22,890</u>	<u>50,485</u>	<u>14,613</u>	87,988
Bank interest income				1,909
Unallocated other income				18,927
Unallocated other expenses				(1,179)
Finance costs				(28,234)
Share of results of associates				<u>2,321</u>
Profit before taxation				81,732
Income tax expense				<u>(406)</u>
Profit for the period				<u><u>81,326</u></u>

Segment result represents the profit earned by each segment without allocation of central administration costs, share of results of associates, other income and finance costs. This is the measure reported to the Board for the purpose of resource allocation and performance assessment.

(3) **SEGMENT INFORMATION** *(continued)*

Geographical information

The Group's main operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC"), North America and Europe.

The following is an analysis of the Group's revenue from external customers based on geographical location of the customers:

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and the PRC	585,022	562,230
North America	30,233	243,128
Europe	18,789	17,747
Others	12,900	13,263
	<u>646,944</u>	<u>836,368</u>

(4) **OTHER INCOME**

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,706	1,909
Interest income from held-to-maturity investments	224	—
Gain on disposal of property, plant and equipment	6,306	—
Sale of exclusive right	—	12,618
Agency fee income	—	6,309
Sundry income	1,100	794
	<u>9,336</u>	<u>21,630</u>

(5) OTHER LOSSES

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Loss on fair value changes of investment held for trading	4,832	—
Loss on fair value changes of derivative financial instruments	36	118
Net foreign exchange loss	2,044	3,044
	<u>6,912</u>	<u>3,162</u>

(6) FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	24,151	17,320
– not wholly repayable within five years	27,647	20,236
Obligations under finance leases	668	780
Total borrowing costs	52,466	38,336
Less: Amounts capitalised to investment properties and properties under development for sale	(22,271)	(10,102)
	<u>30,195</u>	<u>28,234</u>

(7) **PROFIT BEFORE TAXATION**

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	59,496	58,573
Less: Amounts capitalised to properties under development for sale	<u>(8,883)</u>	<u>—</u>
	50,613	58,573
Depreciation of property, plant and equipment	15,846	16,471
Amortisation of prepaid lease payments	169	166
Cost of inventories recognised as an expense	473,090	617,776
Minimum lease payments for operating leases in respect of land and buildings	4,890	4,513
and after crediting:		
Gross rental income	47,727	22,868
Less: Outgoings	<u>(15,465)</u>	<u>(6,233)</u>
Net rental income	<u>32,262</u>	<u>16,635</u>

Minimum lease payments for operating leases in respect of staff quarters amounting to approximately HK\$4,055,000 (six months ended 30 September 2014: HK\$3,861,000) are included in staff costs.

(8) INCOME TAX EXPENSE

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Current tax		
– Hong Kong Profits Tax	—	500
– Other jurisdictions	17	—
	<u>17</u>	<u>500</u>
Deferred tax		
– Current year	(10)	(94)
	<u>7</u>	<u>406</u>

Hong Kong Profits Tax has been provided for at 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profits for the six months ended 30 September 2015.

(9) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>30,591</u>	<u>81,326</u>
		<i>(Restated)</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,028,579,944	1,031,779,740
Effect of dilutive potential ordinary shares		
– Share options	<u>7,925,744</u>	<u>5,713,283</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,036,505,688</u>	<u>1,037,493,023</u>

(9) EARNINGS PER SHARE *(continued)*

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the bonus issue on 11 September 2015.

(10) DIVIDENDS

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the period:		
2015 final dividend of 3.0 HK cents (2014: 3.5 HK cents) per share	28,037	32,803
2014 special cash dividend of 1.0 HK cent per share	—	9,372
	<u>28,037</u>	<u>42,175</u>

Subsequent to the end of the reporting period, the Directors declared an interim dividend of 0.5 HK cent per share (2014: 0.5 HK cent per share) be paid to the shareholders of the Company whose names appear in the Register of Members on 16 December 2015.

(11) INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2014	887,577
Additions	685,984
Acquired on acquisition of subsidiaries	1,145,000
Increase in fair value recognised in profit or loss - unrealised	56,369
Disposal	(40,100)
Exchange realignment	(77,782)
	<u>2,657,048</u>
At 31 March 2015	2,657,048
Additions	18,243
Increase in fair value recognised in profit or loss - unrealised	4,486
Exchange realignment	(33,423)
	<u>2,646,354</u>
At 30 September 2015	2,646,354

(11) INVESTMENT PROPERTIES *(continued)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the investment properties located in Hong Kong at 30 September 2015 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group.

The fair value of the investment property located in Canada at 30 September 2015 has been arrived at on the basis of a valuation carried out on that date by CBRE Limited, independent qualified professional valuers not connected with the Group.

The fair value of the investment property located in the PRC at 30 September 2015 has been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, independent qualified professional valuers not connected with the Group.

The fair values of the completed investment properties located in Hong Kong and Canada were determined based on market comparison approach, where the values are assessed by reference to the comparable properties in close proximity and adjusted for differences in key attributes such as property size and location.

The fair value of the investment property under construction located in the PRC was determined by using depreciated replacement cost approach, which is based on an estimate of the market value for the existing use of the land plus the current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

There has been no change from the valuation technique used in the prior period.

(12) BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Bills receivables of approximately HK\$1,487,000 (31 March 2015: HK\$543,000) are aged within 30 days.

The Group has a policy of allowing an average credit period of 30 days to its trade customers.

(12) BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS
(continued)

Included in trade receivables, deposits and prepayments are trade receivables net of allowance for doubtful debts of approximately HK\$64,917,000 (31 March 2015: HK\$38,616,000) with an aged analysis as follows:

	At 30 September 2015	At 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	51,890	30,519
31 to 90 days	3,818	2,845
91 to 180 days	3,135	1,176
Over 180 days	6,074	4,076
	<u>64,917</u>	<u>38,616</u>

(13) BILLS PAYABLES, TRADE PAYABLES, CUSTOMERS' DEPOSITS AND ACCRUED EXPENSES

Included in bills payables, trade payables, customers' deposits and accrued expenses are trade and bills payables of approximately HK\$112,143,000 (31 March 2015: HK\$98,679,000) with an aged analysis as follows:

	At 30 September 2015	At 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	73,436	71,904
31 to 90 days	32,933	22,031
91 to 180 days	3,778	3,043
Over 180 days	1,996	1,701
	<u>112,143</u>	<u>98,679</u>

(14) SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2014, 31 March 2015 and 30 September 2015	1,500,000,000	150,000
Issued and fully paid:		
At 1 April 2014	940,406,511	94,041
Exercise of share options	300,000	30
Cancelled on repurchase of shares	(5,140,000)	(514)
At 31 March 2015	935,566,511	93,557
Issue of bonus shares	93,456,451	9,346
Cancelled on repurchase of shares	(2,466,000)	(247)
At 30 September 2015	1,026,556,962	102,656

(15) CAPITAL COMMITMENTS

	At 30 September 2015 <i>HK\$'000</i>	At 31 March 2015 <i>HK\$'000</i>
Contracted for but not provided:		
Construction and acquisition of properties	230,002	58,626
Acquisition of property, plant and equipment	2,691	—
Capital investment in available-for-sale investment	3,802	3,877
	236,495	62,503

(16) RELATED PARTY TRANSACTIONS

- (1) Transactions with associates

Nature of transaction	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Property management fee received by the Group	—	1,454

- (2) The Group's balances with related parties are set out in the condensed consolidated statement of financial position.
- (3) The remuneration of directors relating to short-term benefits, post-employment benefits and share-based payments during the period was approximately HK\$11,872,000 (six months ended 30 September 2014: HK\$13,220,000).

(17) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of 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 those derived from 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).

(17) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30/09/2015 HK\$'000	31/03/2015 HK\$'000		
Listed equity securities classified as investment held for trading	24,412	8,224	Level 1	Quoted bid prices in an active market
Club debenture classified as available-for-sale investment	21,800	21,800	Level 2	Market prices in secondary markets
Unlisted fund investments classified as available-for-sale investment	38,857	38,783	Level 2	Net asset value

There were no transfers between Level 1, 2 and 3 during the period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors estimate the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flow analysis.

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

INTERIM DIVIDEND

The Directors resolved to declare an interim dividend of 0.5 HK cent per share (2014: 0.5 HK cent per share).

BUSINESS REVIEW

The Group's turnover and net profit for the six months ended 30 September 2015 were approximately HK\$646,944,000 and HK\$30,591,000 respectively as compared with HK\$836,368,000 and HK\$81,326,000 correspondingly over the same period last year.

During the period under review, the turnover of the Group's watch manufacturing and watch component trading division decreased slightly as compared with the same period in 2014 while maintaining its profit margin.

Due to the acquisition of 99 Bonham in June 2014 and The Jervois in October 2014, the sales revenue of the Group's hotel operation division increased by approximately 100% to HK\$43.6 million in 2015 as compared with the same period last year.

In respect of the property development and investment business, both the turnover and profit figures have decreased in this six months' period due to the lack of significant disposal of the Group's property.

PROSPECTS

The European economic environment remains weak and the decrease of GDP growth in China, coupled with a slower than expected demand for multi-function analogue watches in the U.S. will pose challenges to sales in the coming year. The management will focus on further streamlining its production facilities to reduce cost and the marketing of smart watches and other outdoor electronics products with a more mass appeal.

The recent reduction in the number of tourists from China to Hong Kong has had an impact on most hotels in the region but the effect on the Group's boutique hotel business has been quite limited as the Group caters more to business and professional clients as well as international travellers and the Group expects our occupancy rate to remain satisfactory.

The construction work for the Group's luxury residential development at 45 Tai Tam Road, Hong Kong is progressing well and targeted to be completed by the end of 2016. The Group is planning for an exceptionally designed and luxurious interior fit out programme in the first half of 2017.

The boutique office building at 7 St Thomas, Toronto, Canada will be completed by the end of 2016.

The Group is working on the detailed architectural and interior design of the first phase residential tower at our 88 Queen Street East project in Toronto, Canada. Pre-sales preparation for this phase is underway and is anticipated to begin in the first half of 2016.

FINANCIAL REVIEW

Liquidity and financial resources

At 30 September 2015, the Group's total borrowings were approximately HK\$3,656 million. The maturity profile spreads over a period of 25 years, with approximately HK\$760 million repayable within one year, approximately HK\$2,260 million within two to five years and approximately HK\$636 million beyond five years.

At 30 September 2015, the Group's gearing ratio was 1.68 (31 March 2015: 1.43) which is calculated based on the Group's long-term bank borrowings of approximately HK\$2,896 million and shareholders' funds of approximately HK\$1,723 million.

At 30 September 2015, the Group's total bank balances and cash was approximately HK\$547 million (31 March 2015: HK\$440 million).

Similar to last period, the Group has maintained a reasonable level of cash resources and stand-by credit facilities to provide adequate liquid funds to finance its commitments and working capital requirements.

Treasury Policies

At 30 September 2015, 81% of the Group's borrowings was in HK\$, 10% in CAD, 5% in JPY, and 4% in USD.

At 30 September 2015, 67% of the Group's bank balances and cash was in HK\$, 15% in JPY, 12% in RMB, 4% in USD and 2% in CAD.

All the Group's borrowings are variable-rate borrowings. The Group will carefully monitor its foreign exchange and interest rate exposures and utilise financial instruments such as forward contracts and interest rate swaps as necessary.

Future plans for material investments

The Group currently has no other plans for material investments. All investments, if any, will be funded by bank borrowings and the internal resources of the Group.

Charges on assets

At 30 September 2015, certain properties of the Group of approximately HK\$4,602 million (31 March 2015: HK\$4,232 million) were pledged to secure banking facilities for the Group.

FINANCIAL REVIEW (continued)

Employees

At 30 September 2015, the Group employed approximately 1,000 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the period including directors' emoluments amounted to approximately HK\$51 million (six months ended 30 September 2014: HK\$59 million). Remuneration is determined by reference to market terms as well as the qualifications and experiences of the staff concerned. Salaries are reviewed annually and discretionary bonuses may be paid depending on individual performance and the profitability of the Group.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2015, the interests of the Directors, chief executives and their associates in the shares and debentures 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 ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

(a) Ordinary shares of HK\$0.10 each

Name of Director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Percentage of the issued share capital of the Company
Mr. Jimmy Lee Yuen Ching	Chairman	—	—	275,701,618 <i>(note a)</i>	275,701,618	26.857%
Mr. Loewe Lee Bon Chi	Managing Director	—	—	308,701,618 <i>(note a, b)</i>	308,701,618	30.072%
Mr. James Lee Yuen Kui	Managing Director	6,534	—	260,813,276 <i>(note c)</i>	260,819,810	25.407%
Mr. Edward Lee Yuen Cheor	Director	—	—	260,813,276 <i>(note c)</i>	260,813,276	25.407%
Mr. Ricky Wai Kwong Yuen	Director	—	40,994,543 <i>(note d)</i>	—	40,994,543	3.993%
Dr. Samson Sun, M.B.E., J.P.	Director	—	5,817,864 <i>(note e)</i>	—	5,817,864	0.567%
Mr. William Chan Chak Cheung	Director	330,000	—	—	330,000	0.032%

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Share options

Name of Director	Capacity	Number of options held	Number of underlying shares
Mr. Loewe Lee Bon Chi	Managing Director (Beneficial owner)	16,720,000	16,720,000
Mr. Chan Kwok Wai	Independent Non-executive Director (Beneficial owner)	330,000	330,000

Notes:

- 275,701,618 shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries.
- 33,000,000 shares are held by Mr. Loewe Lee Bon Chi's family member.
- 260,813,276 shares are part of the property of a discretionary trust of which each of Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor is named beneficiary.
- 40,994,543 shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.
- 5,817,864 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P..

Saved as disclosed above, as at 30 September 2015, none of the Directors or chief executive or any of their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

Share options

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 20 August 2008 for the primary purpose of providing incentives to Directors and eligible employees, and will expire on 19 August 2018. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 30 September 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,050,000 (30 September 2014: 15,500,000), representing 1.66% (30 September 2014: 1.65%) of the shares of the Company in issue at that date after adjustment as a result of bonus issue completed on 11 September 2015. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to Independent Non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Share options (continued)

Consideration at HK\$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the Directors of the Company and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following table disclosed movements in the Company's share options during the period:

Name of Director	Date of grant	Exercise period	Exercise price per share <i>HK\$</i>	Balance at 1.4.2015	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Balance at 30.9.2015
Mr. Loewe Lee Bon Chi	18.3.2010	18.3.2010-17.3.2018	0.493 <i>(Note)</i>	9,200,000	—	—	—	—	10,120,000 <i>(Note)</i>
	23.3.2011	23.3.2011-22.3.2018	0.691 <i>(Note)</i>	6,000,000	—	—	—	—	6,600,000 <i>(Note)</i>
Mr. Chan Kwok Wai	23.3.2011	23.3.2011-22.3.2018	0.691 <i>(Note)</i>	300,000	—	—	—	—	330,000 <i>(Note)</i>

Note: On the basis of one (1) bonus share for every ten (10) existing shares in issue on 1 September 2015, a total of 93,456,451 bonus shares were issued on 11 September 2015. As a result of the bonus issue, adjustments were made to the exercise price and the number of shares to be allotted and issued upon exercise of the subscription rights attaching to the outstanding share options. The share options were adjusted in the manner set forth below with effect from 11 September 2015:

Date of grant	Before the issue of Bonus Shares	After the issue of Bonus Shares		
	Number of Shares to be issued upon exercise of the outstanding share options	Exercise price per share <i>HK\$</i>	Adjusted number of Shares to be issued upon exercise of the outstanding share options	Adjusted exercise price per share <i>HK\$</i>
18 March 2010	9,200,000	0.542	10,120,000	0.493
23 March 2011	6,300,000	0.760	6,930,000	0.691
	<u>15,500,000</u>		<u>17,050,000</u>	

The closing price of the Company's share immediately before 18 March 2010, the date of grant of the options, was HK\$0.542 and before 23 March 2011, the date of grant of the options, was HK\$0.760.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain directors disclosed under the heading “Directors’ Interests in Shares, Underlying Shares and Debentures” above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interest or short position in the issued share capital of the Company as at 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save for the Company’s purchases of its own shares on the Stock Exchange as disclosed below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the six months ended 30 September 2015.

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
July 2015	1,002,000	1.00	0.94	983,245
September 2015	1,464,000	0.90	0.88	1,296,348
	<u>2,466,000</u>			<u>2,279,593</u>

CORPORATE GOVERNANCE

The Company had complied throughout the six months ended 30 September 2015 with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for the CG Code A.4.1 and A.4.2.

Pursuant to the CG Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company were not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company’s Annual General Meetings in accordance with the Company’s Bye-law 99. The Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code A.4.1.

Pursuant to the CG Code A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In the opinion of the Board, the Chairman and Managing Director play a pivotal role in charting of corporate strategies and direction of the Group and should not be subject to retirement by rotation in consideration of the stability and continuity development of the Group. As such, the Board believes that exempting the Chairman and Managing Director from retiring from office by rotation at Annual General Meeting in accordance with the Bye-law 99 of the Company is in the best interest of the Group.

AUDIT COMMITTEE

The Company has established an Audit Committee and its members comprise Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai who are all Independent Non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters. The interim results for the six months ended 30 September 2015, which have not been audited, have been reviewed by the Audit Committee.

MODEL CODE

The Company has adopted a code of conduct regarding the Directors' securities transactions ("Model Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all Directors who have confirmed that, during the period under review, they had complied with the required standard set out in the Model Code.

By Order of the Board
LEE YUEN CHING JIMMY
Chairman

Hong Kong, 24 November 2015

As at the date of this report, the Executive Directors are Mr. Lee Yuen Ching, Jimmy, Mr. Lee Bon Chi, Loewe, Mr. Lee Yuen Kui, James, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky, the Non-executive Director is Ms. Lee Yuen Yu, Dorathy and the Independent Non-executive Directors are Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai.