



Herald Holdings Limited

Stock Code: 00114

2019/20
Interim Report

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Robert Dorfman *Chairman*
Shum Kam Hung *ACIS, CPA*
Managing Director
Cheung Tsang Kay Stan *PhD,*
Hon LLD, Hon DBA, JP

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lie-A-Cheong Tai Chong *SBS, OM, JP*
Yeh Man Chun *Kent*
Ng Tze Kin *David EdD, CA (AUST.), FCPA*

SECRETARY

Lai Man Pun *CPA*

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
The Hong Kong and Shanghai Banking
Corporation Limited
Fubon Bank (Hong Kong) Limited

AUDITORS

KPMG
Certified Public Accountants

SOLICITORS

Stephenson Harwood

PRINCIPAL OFFICE

3110, 31/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

<http://www.heraldgroup.com.hk>

RESULTS

The Board of Directors (the “Board”) of Herald Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018, as follows:

Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2019

		Six months ended 30 September	
	Note	2019 HK\$' 000	2018 HK\$' 000 (Note)
Revenue	3	590,957	526,133
Cost of sales		(470,841)	(457,160)
Gross profit		120,116	68,973
Other revenue		3,485	3,188
Other net loss		(7,549)	(9,764)
Selling expenses		(8,983)	(10,918)
Administrative expenses		(105,742)	(112,369)
Gain on disposal of non-current assets classified as held for sale	4(c)	–	21,609
Profit/(loss) from operations		1,327	(39,281)
Finance cost	4(a)	(1,396)	(1,296)
Loss before taxation	4	(69)	(40,577)
Income tax	5	(7,662)	(3,129)
Loss for the period		(7,731)	(43,706)

Consolidated statement of profit or loss – Unaudited (Continued)

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
		HK\$' 000	HK\$' 000
		<i>(Note)</i>	
Attributable to:			
		(6,107)	(41,718)
		(1,624)	(1,988)
Loss for the period		(7,731)	(43,706)
Loss per share			
	7	(1.01)	(6.90)
		(1.01)	(6.90)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under the approach, comparative information is not restated. See note 2.

Details of dividends payable to equity shareholders of the Company are set out in note 6.

Consolidated statement of profit or loss and other comprehensive income – Unaudited
 For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK\$' 000	HK\$' 000
		<i>(Note)</i>
Loss for the period	(7,731)	(43,706)
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	(19,633)	(29,549)
Total comprehensive income for the period	(27,364)	(73,255)
Attributable to:		
Equity shareholders of the Company	(25,607)	(70,674)
Non-controlling interests	(1,757)	(2,581)
Total comprehensive income for the period	(27,364)	(73,255)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under the approach, comparative information is not restated. See note 2.

Consolidated statement of financial position – Unaudited

At 30 September 2019

	Note	As at 30 September 2019 HK\$' 000	As at 31 March 2019 HK\$' 000 (Note)
Non-current assets			
Investment properties	8	54,897	57,769
Other property, plant and equipment	8	276,459	292,439
Interests in leasehold land held for own use under operating leases	8	3,500	3,562
		334,856	353,770
Intangible assets		1,107	1,124
Other financial assets		2,300	2,300
Deferred tax assets		19,008	24,519
		357,271	381,713
Current assets			
Trading securities		80,483	84,814
Inventories		170,518	174,555
Trade and other receivables	9	224,969	122,628
Pledged bank balances		1,256	464
Cash and cash equivalents		156,813	186,606
Current tax recoverable		1,584	4,162
		635,623	573,229
Non-current assets classified as held for sale	15(b)	903	–
		636,526	573,229

Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2019

	Note	As at 30 September 2019 HK\$' 000	As at 31 March 2019 HK\$' 000 (Note)
Current liabilities			
Trade and other payables and contract liabilities	10	222,729	158,291
Bank loans		36,607	40,243
Lease liabilities	2(c)	3,555	–
Current tax payable		15,723	16,093
Dividends payable to equity shareholders of the Company		18,135	–
		296,749	214,627
Net current assets			
		339,777	358,602
Total assets less current liabilities			
		697,048	740,315
Non-current liabilities			
Lease liabilities	2(c)	3,888	–
Deferred tax liabilities		19,458	20,465
Provision for long service payments		1,124	1,411
		24,470	21,876
NET ASSETS			
		672,578	718,439

Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2019

		As at 30 September 2019	As at 31 March 2019
	Note	HK\$' 000	HK\$' 000 (Note)
CAPITAL AND RESERVES			
Share capital	11	47,150	47,150
Reserves		617,859	661,601
		665,009	708,751
Total equity attributable to equity shareholders of the Company			
Non-controlling interests		7,569	9,688
TOTAL EQUITY		672,578	718,439

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under the approach, comparative information is not restated. See note 2.

Consolidated statement of changes in equity – Unaudited
 For the six months ended 30 September 2019

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Share capital	Contributed surplus	Capital reserve	Property revaluation reserve	Exchange reserve	PRC statutory reserve	Retained profit	Total equity	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2019	47,150	20,928	53,891	813	27,650	12,664	19,068	527,567	708,751	9,688	718,439	
Changes in equity for the six months ended 30 September 2019:												
Loss for the period	-	-	-	-	-	-	-	(6,107)	(6,107)	(1,624)	(7,731)	
Other comprehensive income	-	-	-	-	-	(19,500)	-	-	(19,500)	(133)	(19,633)	
Total comprehensive income	-	-	-	-	-	(19,500)	-	(6,107)	(25,607)	(1,757)	(27,364)	
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(18,135)	(18,135)	-	(18,135)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(362)	(362)	
Balance at 30 September 2019	47,150	20,928	53,891	813	27,650	(6,836)	19,068	503,345	665,009	7,569	672,578	

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under the approach, comparative information is not restated. See note 2.

Consolidated statement of changes in equity – Unaudited (Continued)

For the six months ended 30 September 2019

	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Share	Contributed surplus	Capital reserve	Property revaluation reserve	Exchange reserve	PRC statutory reserve	Retained profit	Total equity	Non-controlling interests	Total equity	
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2018	47,150	20,928	20,928	53,891	813	1,662	34,476	18,088	577,812	754,800	12,052	766,852	
Impact on initial application of HKFRS 9	-	-	-	-	-	-	-	-	(5,932)	(5,932)	-	(5,932)	
Adjusted balance at 1 April 2018	47,150	20,928	20,928	53,891	813	1,662	34,476	18,088	571,880	748,868	12,052	760,920	
Changes in equity for the six months ended 30 September 2018:													
Loss for the period	-	-	-	-	-	-	-	-	(41,718)	(41,718)	(1,988)	(43,706)	
Other comprehensive income	-	-	-	-	-	-	(28,956)	-	-	(28,956)	(593)	(29,549)	
Total comprehensive income	-	-	-	-	-	-	(28,956)	-	(41,718)	(70,674)	(2,581)	(73,255)	
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	-	(18,135)	(18,135)	-	(18,135)	
Balance at 30 September 2018	47,150	20,928	20,928	53,891	813	1,662	5,520	18,088	512,027	660,059	9,471	669,530	

Condensed consolidated cash flow statement – Unaudited

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$' 000	2018 HK\$' 000 (Note)
Operating activities		
Cash used in operations	(19,741)	(37,304)
Tax refunded/(paid)	89	(1,958)
	(19,652)	(39,262)
Investing activities		
Payment for the purchase of property, plant and equipment	(1,845)	(3,375)
Payment for the purchase of trading securities	(5,244)	(7,928)
Proceeds from the sale of trading securities	5,185	68,091
Proceeds from disposal of non-current assets classified as held for sale	–	22,734
Other cash flows arising from investing activities	2,576	5,876
	672	85,398
Financing activities		
Capital element of lease payments	(1,823)	–
Interest element of lease payments	(156)	–
Repayment of bank loans	(3,636)	(62,989)
Other cash flows arising from financing activities	(1,602)	(1,296)
	(7,217)	(64,285)
Decrease in cash and cash equivalents	(26,197)	(18,149)
Cash and cash equivalents at 1 April	186,606	142,099
Effect of foreign exchange rates changes	(3,596)	(5,105)
Cash and cash equivalents at 30 September	156,813	118,845

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under the approach, comparative information is not restated. See note 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 29 November 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018/2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019/2020 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by the Company’s audit committee.

The financial information relating to the financial year ended 31 March 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2019 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 June 2019.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and there is no impact to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to land and buildings as disclosed in note 13(a).

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.76%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	At 1 April 2019
	HK\$' 000
Operating lease commitments as at 31 March 2019	14,548
Less: short-term leases and other leases with remaining lease term ending on or before 31 March 2020	<u>(4,385)</u>
	10,163
Less: Total future interest expenses	<u>(657)</u>
Total lease liabilities recognised at 1 April 2019	<u>9,506</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments to that lease recognised in the consolidated statement of financial position at 31 March 2019.

The Group presents right-of-use assets that do not meet the definition of investment property in “other property, plant and equipment” and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 HK\$'000	Capitalisation of operating lease contracts HK\$'000	Carrying amount at 1 April 2019 HK\$'000
Other property, plant and equipment	292,439	12,058	304,497
Non-current assets	381,713	12,058	393,771
Trade and other receivables	122,628	(2,552)	120,076
Current assets	573,229	(2,552)	570,677
Lease liabilities (current)	–	3,949	3,949
Current liabilities	214,627	3,949	218,576
Net current assets	358,602	(6,501)	352,101
Total assets less current liabilities	740,315	5,557	745,872
Lease liabilities (non-current)	–	5,557	5,557
Non-current liabilities	21,876	5,557	27,433
Net assets	718,439	–	718,439

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019	At 1 April 2019
	HK\$' 000	HK\$' 000
Included in "Other property, plant and equipment":		
Land and buildings held for own use, carried at depreciated cost	8,040	10,450
Other items of plant and equipment, carried at depreciated cost	1,251	1,608
	9,291	12,058

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Within 1 year	3,555	3,701	3,949	4,046
After 1 year but within 2 years	2,957	3,142	3,680	3,942
After 2 years but within 5 years	931	1,045	1,742	2,026
After 5 years	-	-	135	149
	3,888	4,187	5,557	6,117
	7,443	7,888	9,506	10,163
Less: Total future interest expenses		(445)		(657)
		7,443		9,506

(d) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Toys : The manufacture, sale and distribution of toy products.
- Computer products : The manufacture and sale of computer products.
- Housewares : The manufacture, sale and distribution of housewares.
- Timepieces : The sale and distribution of clocks, watches, and electronic and gift products.
- Investments : The investment in debt and equity securities and managed funds.
- Others : The leasing of properties to group companies and third parties to generate rental income and to gain from the appreciation in the properties' values in the long term.

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue and information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2019 and 2018 is set out below.

	Six months ended 30 September 2019						
	Computer Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer	445,144	51,925	31,957	61,931	-	-	590,957
Inter-segment revenue	-	-	-	-	-	1,525	1,525
Reportable segment revenue	445,144	51,925	31,957	61,931	-	1,525	592,482
Reportable segment profit/(loss)	33,767	(12,591)	(3,635)	(853)	(2,803)	(870)	13,015
	As at 30 September 2019						
	Computer Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	448,972	131,555	66,086	105,769	81,739	106,968	941,089
Reportable segment liabilities	169,900	23,673	28,191	27,598	-	8,157	257,519

Six months ended 30 September 2018

	Six months ended 30 September 2018						Total HK\$'000
	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	
Revenue from external customer	310,923	108,497	36,650	70,063	-	-	526,133
Inter-segment revenue	-	-	-	-	-	2,106	2,106
Reportable segment revenue	310,923	108,497	36,650	70,063	-	2,106	528,239
Reportable segment profit/(loss)	11,062	(6,465)	(15,110)	(13,163)	(3,452)	(358)	(27,486)

As at 31 March 2019

	As at 31 March 2019						Total HK\$'000
	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	
Reportable segment assets	359,688	143,958	70,914	117,505	87,578	111,797	891,440
Reportable segment liabilities	99,391	23,439	26,891	23,489	-	6,506	179,716

(c) Reconciliations of reportable segment revenue, profit/(loss), assets and liabilities

	Six months ended 30 September	
	2019	2018
	HK\$' 000	HK\$' 000
Revenue		
Reportable segment revenue	592,482	528,239
Elimination of inter-segment revenue	(1,525)	(2,106)
Consolidated revenue	590,957	526,133
	Six months ended 30 September	
	2019	2018
	HK\$' 000	HK\$' 000
Profit/(loss)		
Reportable segment profit/(loss)	13,015	(27,486)
Unallocated corporate income and expenses	(13,084)	(13,091)
Consolidated loss before taxation	(69)	(40,577)

	At 30 September 2019 HK\$' 000	At 31 March 2019 HK\$' 000
Assets		
Reportable segment assets	941,089	891,440
Elimination of inter-segment receivables	(19,000)	(19,018)
	922,089	872,422
Current tax recoverable	1,584	4,162
Deferred tax assets	19,008	24,519
Unallocated corporate assets	51,116	53,839
Consolidated total assets	993,797	954,942
Liabilities		
Reportable segment liabilities	257,519	179,716
Elimination of inter-segment payables	(19,000)	(19,018)
	238,519	160,698
Current tax payable	15,723	16,093
Deferred tax liabilities	19,458	20,465
Dividends payable to equity shareholders of the Company	18,135	–
Unallocated corporate liabilities	29,384	39,247
Consolidated total liabilities	321,219	236,503

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2019	2018
	HK\$' 000	HK\$' 000
(a) Finance cost		
Interest on bank loans and other borrowings	1,240	1,296
Interest on lease liabilities	156	–
	1,396	1,296
(b) Other items		
Depreciation		
– owned property, plant and equipment	15,790	14,691
– right-of-use assets	2,527	–
Amortisation of land lease premium	62	62
Net gain on disposal of other property, plant and equipment	(1,201)	(439)
Net realised and unrealised losses on trading securities	4,390	5,119
Staff costs	222,693	200,941
(Reversal of impairment loss)/impairment loss on trade debtors	(1,441)	120
Interest income from		
– trading securities	(93)	(89)
– deposits with banks	(505)	(393)
– debtors	(59)	(15)
Rental income	(1,002)	(438)
Dividend income	(1,494)	(1,578)

(c) During the six months ended 30 September 2018, the Group completed a sale and purchase agreement to dispose of a property located in Hong Kong and recognised a disposal gain of HK\$21,609,000.

5. INCOME TAX

	Six months ended 30 September	
	2019	2018
	HK\$' 000	HK\$' 000
Current tax – Hong Kong Profits Tax	2,777	463
Current tax – Outside Hong Kong	(625)	1,236
Deferred tax	5,510	1,430
	7,662	3,129

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 September 2019. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

6. DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 September	
	2019	2018
	HK\$' 000	HK\$' 000
Interim dividend declared and paid after the interim period of HK2 cents per share (2018: Nil)	12,090	–

The interim dividend has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved but not yet paid during the interim period

	Six months ended 30 September	
	2019	2018
	HK\$' 000	HK\$' 000
Final dividend in respect of the previous financial year, approved but not yet paid during the interim period of HK3 cents per share (2018: HK3 cents per share)	18,135	18,135

7. LOSS PER SHARE**(a) Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$6,107,000 (2018: HK\$41,718,000) and the weighted average number of shares of 604,491,000 (2018: 604,491,000) in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share for the period ended 30 September 2019 is based on the loss attributable to equity shareholders of the Company of HK\$6,107,000 (2018: HK\$41,718,000) and the weighted average number of shares of 604,491,000 (2018: 604,491,000).

Diluted loss per share for the periods ended 30 September 2019 and 2018 are same as the basic loss per share as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share.

8. INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND**(a) Right-of-use assets**

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise the right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying assets are set out in note 2(b).

During the period ended 30 September 2019, the Group entered into a new lease agreement and therefore recognised the additions to right-of-use assets of HK\$181,000.

(b) Acquisitions and disposal of owned assets

During the period ended 30 September 2019, the Group acquired items of other property, plant and equipment with an aggregate cost of HK\$1,845,000 (2018: HK\$3,375,000).

Items of other property, plant and equipment with a net book value of HK\$16,000 (2018: HK\$2,106,000) were disposed of during the period ended 30 September 2019, resulting in a net gain on disposal of HK\$1,201,000 (2018: HK\$439,000).

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 30 September 2019 HK\$' 000	At 31 March 2019 HK\$' 000
By date of invoice		
Within 3 months	203,520	83,613
4 to 6 months	2,454	7,226
7 to 12 months	89	110
13 to 24 months	–	151
Trade debtors and bills receivable	206,063	91,100
Deposits, prepayments and other receivables	18,906	31,528
	224,969	122,628

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Trade debtors and bills receivable are normally due within 90 days from the date of billing. All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Included in trade and other payables and contract liabilities are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 30 September 2019 HK\$' 000	At 31 March 2019 HK\$' 000
By date of invoice		
Within 1 month	19,591	20,047
Over 1 month but within 3 months	16,293	7,709
Over 3 months	361	441
Trade creditors and bills payable	36,245	28,197
Accruals and other payables	152,802	111,785
Contract liabilities – forward sale deposits	33,682	18,309
	222,729	158,291

All of the trade and other payables and contract liabilities are expected to be settled or recognised as income within one year.

11. SHARE CAPITAL

	Number of shares ' 000	Amount HK\$' 000
Authorised:		
Shares of US\$0.01 each	1,000,000	78,000
Issued and fully paid:		
At 1 April and 30 September 2019	604,491	47,150

12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value as at 30 September 2019	Fair value measurements as at 30 September 2019 categorised into			Fair value as at 31 March 2019	Fair value measurements as at 31 March 2019 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
		HK\$' 000	HK\$' 000	HK\$' 000		HK\$' 000	HK\$' 000	HK\$' 000
Recurring fair value measurement								
Assets								
Unlisted equity securities	2,300	-	-	2,300	2,300	-	-	2,300
Trading securities								
- listed debt and equity securities	41,108	41,108	-	-	45,690	45,690	-	-
- unlisted managed funds and debt securities	39,375	-	39,375	-	39,124	-	39,124	-
	82,783	41,108	39,375	2,300	87,114	45,690	39,124	2,300

During the six months ended 30 September 2019, there were no transfers between different levels (2018: nil).

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(i) Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of unlisted managed funds and unlisted debt securities in Level 2 are based on prices quoted by financial institutions.

(ii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Percentage
Unlisted equity securities	Adjusted net assets value	Minority discount	21% (31 March 2019: 21%)

The fair value of unlisted equity securities is determined using the adjusted net assets value of the unlisted company adjusted for a minority discount. The fair value measurement is negatively correlated to the minority discount. As at 30 September 2019, it is estimated that with all other variables held constant, an increase/decrease in the minority discount by 5% would have increased/decreased the Group's loss before/after tax by HK\$154,000.

There is no movement in the balance of Level 3 fair value measurements during the periods ended 30 September 2018 and 2019.

The gain or loss arising from the remeasurement of the Group's unlisted equity securities are recognised in profit or loss. Upon disposal of the equity securities, any gains or losses arising from the disposal are presented in the "Other net income" line in the consolidated statement of profit or loss.

(b) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2019 and 31 March 2019.

13. COMMITMENTS

- (a) At 31 March 2019, the total future minimum lease payments of the Group under non-cancellable operating leases were payable as follows:

	Land and buildings HK\$' 000	Others HK\$' 000
Within 1 year	6,313	1,123
After 1 year but within 5 years	5,784	1,328
	<u>12,097</u>	<u>2,451</u>

The Group is the lessee in respect of a number of properties and items of plant and equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balance at 1 April 2019 to recognised lease liabilities relating to these leases (see note 2). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

- (b) The Group entered into contracts related to obtaining rights to distribute timepieces products under licences, which require the payment of minimum guaranteed royalties. At 30 September 2019, the future minimum guaranteed royalties for licences are payable as follows:

	At 30 September 2019 HK\$' 000	At 31 March 2019 HK\$' 000
Within 1 year	4,981	4,181
After 1 year but within 5 years	1,143	3,286
	<u>6,124</u>	<u>7,467</u>

14. MATERIAL RELATED PARTY TRANSACTIONS**Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 September	
	2019	2018
	HK\$' 000	HK\$' 000
Short-term employee benefits	9,348	8,748
Post-employment benefits	733	733
	10,081	9,481

15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 6.
- (b) During the period ended 30 September 2019, the Group entered into a provisional sale and purchase agreement with a third party, pursuant to which the Group agreed to dispose of a property at a consideration of HK\$30,650,000. The property is located in Hong Kong within the Others segment with a carrying amount of HK\$903,000. Accordingly, the property is presented as non-current assets held for sale in the consolidated statement of financial position. The disposal was completed subsequent to the end of the reporting period.

BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2019 amounted to HK\$591 million which was up 12% from HK\$526 million in the corresponding period last year. The Group reported a net loss attributable to the equity shareholders of HK\$6.1 million for the period under review as compared with a net loss of HK\$41.7 million a year earlier. The decrease in net loss was primarily attributable to better-than-expected results of the Toys Division and tight control over operating expenses. Further analysis of the operating results is set out in the following paragraphs.

The Toys Division performed well in the first half of the fiscal year. It is most encouraging that the division was able to complete all the production as scheduled despite labor shortages in Southern China. Driven by the strong sales of toys related to several popular movies, the division's revenue for the period rose 43% year-on-year from HK\$311 million to HK\$445 million and its first-half operating profit surged to HK\$33.8 million from HK\$11.1 million a year earlier.

The performance of the Computer Products Division was disappointing with a 52% drop in first-half revenue to HK\$52 million from HK\$108 million a year earlier. In particular, the sales of smart connected devices for the period shrank by 58% year-on-year to HK\$21 million. Because of the lower revenue, the division saw its half-yearly operating loss increase to HK\$12.6 million from HK\$6.5 million a year ago.

For the six months ended 30 September 2019, the revenue of the Housewares Division fell 13% year-on-year from HK\$37 million to HK\$32 million as the division now only engages in trading activities. Compared with the same period last year, the division's operating loss declined from HK\$15.1 million to HK\$3.6 million as a result of cost savings achieved from the closure of its joint venture factory in Zhuhai and the absence of termination payments for workers.

Amid a difficult retail environment, the Timepieces Division saw its half-yearly revenue drop by 11% to HK\$62 million from HK\$70 million in the previous year. With stringent measures taken to control operating costs, the division's operating loss decreased to HK\$0.9 million from HK\$13.2 million a year earlier.

The Group recorded net realised and unrealised losses on trading securities of HK\$4.4 million for the period under review as compared with losses of HK\$5.1 million a year ago. At 30 September 2019, the Group's trading securities decreased to HK\$80 million from HK\$85 million as at the beginning of the fiscal year.

PROSPECTS AND GENERAL OUTLOOK

Due to seasonal factors, the business of the Toys Division will slow down in the second half of the fiscal year. The Management also anticipates that the difficult business environment facing the Computer Products Division will continue amid uncertainty over the US-China trade war. Nevertheless, the division has several smart connected products under development that have good business potential. Meanwhile, with cost-cutting and restructuring measures, the Management expects that the Timepieces and Housewares Divisions will remain competitive in the second half of the fiscal year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continued to exercise prudence in managing its financial resources. As in the past, the Group maintains a sound liquidity position. At 30 September 2019, the Group's cash balances aggregated to HK\$158 million (at 31 March 2019: HK\$187 million).

At the end of September 2019, the Group's current assets amounted to HK\$637 million (at 31 March 2019: HK\$573 million) which included inventories of HK\$171 million (at 31 March 2019: HK\$175 million), trade and other receivables of HK\$225 million (at 31 March 2019: HK\$123 million) and trading securities of HK\$80 million (at 31 March 2019: HK\$85 million).

At 30 September 2019, the Group's current liabilities increased to HK\$297 million from HK\$215 million as at the beginning of the fiscal year. The bank loans amounted to HK\$37 million (at 31 March 2019: HK\$40 million) which included revolving loans of HK\$32 million (at 31 March 2019: HK\$34 million) and mortgage loan balance of HK\$5 million (at 31 March 2019: HK\$6 million). The mortgage loan balance of HK\$5 million is repayable by fixed monthly instalments with maturity date in August 2021. Certain trading securities and bank deposits amounting to HK\$78 million (at 31 March 2019: HK\$81 million), along with certain properties with a carrying amount of HK\$56 million (at 31 March 2019: HK\$58 million), were pledged to banks to secure banking facilities granted to the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as a percentage of total liabilities over total assets. The gearing ratio of the Group as at 30 September 2019 was 32% (at 31 March 2019: 25%). At 30 September 2019, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.14 as compared to 2.67 at 31 March 2019. The quick ratio, another ratio that gauges the short term liquidity and measured by trade debtors and bills receivable and cash and cash equivalents over current liabilities, decreased to 1.22 from 1.29 at 31 March 2019.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risks primarily through sales and purchases that are denominated in a foreign currency, such as Renminbi, United States Dollars and Pound Sterling. From time to time, the Group takes out foreign exchange contracts to hedge against its foreign exchange exposure.

DIVIDEND

The Directors have declared an interim dividend of HK2 cents per share (2018: Nil). The total amount of dividend payment of HK\$12 million (2018: Nil) was based on the total number of shares in issue as at 28 November 2019, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Thursday, 16 January 2020 to shareholders registered in the Register of Members on Monday, 6 January 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Friday, 3 January 2020 to Monday, 6 January 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the interim dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 2 January 2020.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests and short positions of directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in issued shares

(Shares of US\$0.01 each of the Company)

	Number of shares			Total	Percentage of total issued shares
	Personal interests	Interests of spouse	Other interests		
Directors					
Dr Cheung Tsang Kay Stan	2,727,500	–	101,127,393 (Note (i) & (ii))	103,854,893	17.18%
Mr Robert Dorfman	51,471,000	–	–	51,471,000	8.51%

Notes:

- (i) Dr Cheung Tsang Kay Stan is the founder of a family trust which owned 61,904,760 shares. His spouse and family members are the beneficiaries of this family trust.
- (ii) Dr Cheung Tsang Kay Stan is interested in 39,222,633 shares together with other family members.

All the interests stated above represent long positions.

An employee of the Group has been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below.

Apart from the foregoing, as at 30 September 2019, none of the directors or chief executives of the Company, any of their spouses or children under eighteen years of age had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("the share option scheme") on 16 September 2013 for the primary purpose of motivating the eligible participants under the scheme to utilise their performance and efficiency for the benefit of the Group.

According to the share option scheme, the directors of the Company are authorised, at their discretion, to invite any director (including executive, non-executive or independent non-executive directors), employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any entity in which any member of the Group holds any interest, and any discretionary trust or company whose discretionary objects or owners include the aforementioned parties to take up options to subscribe for shares of the Company. Upon acceptance of an option, each eligible participant under the share option scheme is required to pay the Company HK\$1 within 21 days from the date of offer.

The share option scheme became effective on 16 September 2013 and remains in force for 10 years from that date. The exercise price of the options is at least the highest of (a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. Unless otherwise determined by the directors of the Company, there is no requirement of a minimum period for which an option must be held before it can be exercised. An option is exercisable at any time during such period to be notified by the directors of the Company to each grantee, but in any event not later than 10 years from the date of grant of the option. Each option gives the holder the right to subscribe for one share of US\$0.01 each in the Company.

The total number of shares available for issue under the share option scheme as at 30 September 2019 was 60,249,076 shares which represented 10% of the issued share capital of the Company as at the date of adoption of the share option scheme. In respect of the maximum entitlement of each participant under the share option scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's shares in issue.

At 30 September 2019, an employee of the Group had the following interests in options to subscribe for shares of the Company (market value per share at 30 September 2019 was HK\$0.67) granted for a nominal consideration of HK\$1 for acceptance of the offer under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of the Company.

	No. of options outstanding at the beginning and at the end of the period	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
Employee	4,000,000	23 January 2015	23 January 2015 to 22 January 2025	HK\$0.97	HK\$0.97

* being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

No share options have been exercised, granted, lapsed or cancelled during the six months ended 30 September 2019.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Other than the interests disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" in respect of directors, as at 30 September 2019, the persons or corporations (other than directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Interests in issued shares

(Shares of US\$0.01 each of the Company)

	Note	Number of shares			Total	Percentage of total issued shares
		Personal interests	Interests of spouse	Other interests		
Substantial shareholders						
Ms Ng Yiu Chi Eleanor	(i)	-	103,854,893	-	103,854,893	17.18%
Ms Cheung Yee Alice	(ii)	30,281,424	-	39,222,633	69,504,057	11.50%
Ms Chang Kan Jane	(iii)	24,781,424	-	39,322,633	64,104,057	10.60%
Mr Tong Shek King Denny	(iv)	-	64,004,057	100,000	64,104,057	10.60%
Moral Excel Holdings Ltd ("MEH")	(v)	61,904,760	-	-	61,904,760	10.24%
HSBC International Trustee Ltd ("HIT")	(v)	-	-	61,904,760	61,904,760	10.24%
Other persons						
Mrs Sheri Tillman Dorfman	(vi)	-	51,471,000	-	51,471,000	8.51%
Mrs Mirriam Bloch		38,572,500	-	-	38,572,500	6.38%
Mr Gershon Dorfman		37,325,799	-	-	37,325,799	6.17%
Mrs Lydia Dorfman	(vii)	-	37,325,799	-	37,325,799	6.17%

Notes:

- (i) The entire interests in shares of 103,854,893 are duplicated by those disclosed under Dr Cheung Tsang Kay Stan, the spouse of Ms Ng Yiu Chi Eleanor, in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”.
- (ii) Ms Cheung Yee Alice is interested in 39,222,633 shares together with Dr Cheung Tsang Kay Stan and Ms Chang Kan Jane.
- (iii) Ms Chang Kan Jane is interested in 39,222,633 shares together with Dr Cheung Tsang Kay Stan and Ms Cheung Yee Alice. Ms Chang Kan Jane is interested in another 100,000 shares with Mr Tong Shek King Denny.
- (iv) These interests in shares are duplicated by those beneficially owned by Ms Chang Kan Jane.
- (v) MEH is a Company owned by a family trust which is interested in 61,904,760 shares, comprising 61,779,760 shares held by MEH and 125,000 shares held by its subsidiary company, as noted in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”. HIT, the trustee of this trust, is deemed to be interested in the 61,904,760 shares owned by this trust.
- (vi) These interests in shares are duplicated by those disclosed under Mr Robert Dorfman, the spouse of Mrs Sheri Tillman Dorfman, in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”.
- (vii) These interests in shares are duplicated by those beneficially owned by Mr Gershon Dorfman.

All the interests stated above represent long positions.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

EMPLOYEES

As at 30 September 2019, the number of employees of the Group was 157 (2018: 175) in Hong Kong, 3,937 (2018: 3,068) in the Mainland China and 53 (2018: 56) in Europe. Total staff costs for the period under review amounted to HK\$222,693,000 (2018: HK\$200,941,000). The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

AUDIT COMMITTEE

The audit committee reports to the board of directors and currently comprises three independent non-executive directors, namely Dr Ng Tze Kin David, being the chairman, Mr Lie-A-Cheong Tai Chong David and Mr Yeh Man Chun Kent. The audit committee meets with the Group's senior management and external auditors regularly to discuss audit matters. The audit committee also reviews the effectiveness of the risk management and internal control systems. The interim report of the Group has been reviewed by the audit committee of the Company.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive directors, namely Dr Ng Tze Kin David, being the Chairman, and Mr Yeh Man Chun Kent and one executive director, namely Mr Shum Kam Hung. The terms of reference of the remuneration committee have been included on the Company's website.

NOMINATION COMMITTEE

The nomination committee consists of two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang Kay Stan and three independent non-executive directors, namely Mr Lie-A-Cheong Tai Chong David, Mr Yeh Man Chun Kent and Dr Ng Tze Kin David. The primary roles of the nomination committee are to determine the policy for the nomination of directors, to review the structure, size and composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 September 2019 with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the Company. As such, 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.

MODEL CODE

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standards of the Model Code. Having made specific enquiry of the Company’s directors, all directors confirmed that they have complied with the required standards set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions.

By order of the Board
Robert Dorfman
Chairman

Hong Kong, 29 November 2019