

NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213



INTERIM REPORT 2020

2020 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 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue	3	1,099,391	382,738
Cost of sales		<u>(983,294)</u>	<u>(310,740)</u>
Gross profit		116,097	71,998
Other income	4	10,528	6,547
Other (loss)/gains – net	5	(8,767)	20,443
Gain on disposal of investment properties		–	7,655
Increase in fair value of investment properties	11	83,066	15,256
Distribution costs		(4,101)	(4,260)
Administrative expenses		(50,486)	(90,250)
Finance costs	6	(41,976)	(58,494)
Share of results of associates		(14)	(8)
Share of results of joint ventures		<u>(3,635)</u>	<u>92,014</u>
Profit before taxation	7	100,714	60,901
Income tax (expense)/credit	8	<u>(22,486)</u>	<u>2,323</u>
Profit for the period		<u>78,228</u>	<u>63,224</u>
Earnings per share	9		
Basic		<u>7.89 HK cents</u>	<u>6.24 HK cents</u>
Diluted		<u>7.89 HK cents</u>	<u>6.24 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Profit for the period	78,228	63,224
Other comprehensive income/(expense)		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	54,110	2,349
Fair value loss on other assets at fair value through other comprehensive income	(140)	(320)
Other comprehensive income for the period	53,970	2,029
Total comprehensive income for the period	132,198	65,253
Profit attributable to:		
– Equity holders of the Company	78,260	63,229
– Non-controlling interests	(32)	(5)
	78,228	63,224
Total comprehensive income/(expense) attributable to:		
– Equity holders of the Company	132,230	65,258
– Non-controlling interests	(32)	(5)
	132,198	65,253

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2020*

		30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	11	3,793,339	3,500,552
Property, plant and equipment		63,616	70,194
Right-of-use assets		277,058	291,481
Goodwill		1,270	1,270
Interests in associates		7,313	7,327
Interests in joint ventures		384,885	388,520
Other assets at fair value through other comprehensive income		20,945	21,085
Debt instruments at amortised cost		3,278	3,081
Deferred tax assets		3,448	3,259
		<u>4,555,152</u>	<u>4,286,769</u>
CURRENT ASSETS			
Inventories		112,842	150,512
Financial assets at fair value through profit or loss		212,262	231,738
Inventory of unsold properties		64,976	5,755
Properties under development for sale		629,135	1,187,978
Bills receivables	12	605	–
Trade receivables, deposits and prepayments	13	981,033	152,509
Amount due from an associate		9,361	3,995
Amount due from a joint venture		48,701	48,370
Tax recoverable		18	352
Bank balances and cash		1,212,703	1,089,740
		<u>3,271,636</u>	<u>2,870,949</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30 September 2020

		30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	14	57,373	46,687
Customers' deposits		243,911	271,920
Accrued expenses and other payables		246,585	140,490
Amount due to an associate		4,555	4,555
Amount due to a joint venture		69,246	75,046
Tax payable		24,733	45,682
Derivative financial instruments		3,012	2,555
Lease liabilities		15,235	21,432
Bank loans		1,608,660	1,167,268
		<u>2,273,310</u>	<u>1,775,635</u>
NET CURRENT ASSETS		<u>998,326</u>	<u>1,095,314</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>5,553,478</u>	<u>5,382,083</u>
CAPITAL AND RESERVES			
Share capital	15	97,789	99,776
Reserves		2,385,668	2,301,960
		<u>2,483,457</u>	<u>2,401,736</u>
Equity attributable to owners of the Company		2,483,457	2,401,736
Non-controlling interests		1,508	1,540
		<u>2,484,965</u>	<u>2,403,276</u>
NON-CURRENT LIABILITIES			
Provision for long service payments		3,322	3,322
Lease liabilities		9,859	14,421
Bank loans		2,959,261	2,858,005
Deferred tax liabilities		96,071	103,059
		<u>3,068,513</u>	<u>2,978,807</u>
		<u>5,553,478</u>	<u>5,382,083</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	101,658	34,677	(84,505)	37,160	12,817	—	66,142	40,221	2,166,176	2,374,346	—	2,374,346
Profit/(Loss) for the period	—	—	—	—	—	—	—	—	63,229	63,229	(5)	63,224
Other comprehensive income/(expense) for the period	—	—	2,349	—	(320)	—	—	—	—	2,029	—	2,029
Total comprehensive income/(expense) for the period	—	—	2,349	—	(320)	—	—	—	63,229	65,258	(5)	65,253
Dividend recognised as distribution	—	—	—	—	—	—	—	—	(40,492)	(40,492)	—	(40,492)
Repurchase of own shares	(579)	—	—	—	—	—	—	579	(7,050)	(7,050)	—	(7,050)
Disposal of partial interest in a subsidiary	—	—	—	—	—	20,142	—	—	—	20,142	4,358	24,500
At 30 September 2019 (unaudited)	101,079	34,677	(82,156)	37,160	12,497	20,142	66,142	40,800	2,181,863	2,412,204	4,353	2,416,557
At 1 April 2020 (audited)	99,776	34,677	(129,736)	37,160	9,353	22,921	66,142	42,103	2,219,340	2,401,736	1,540	2,403,276
Profit/(Loss) for the period	—	—	—	—	—	—	—	—	78,260	78,260	(32)	78,228
Other comprehensive income/(expense) for the period	—	—	54,110	—	(140)	—	—	—	—	53,970	—	53,970
Total comprehensive income/(expense) for the period	—	—	54,110	—	(140)	—	—	—	78,260	132,230	(32)	132,198
Dividend recognised as distribution	—	—	—	—	—	—	—	—	(29,692)	(29,692)	—	(29,692)
Repurchase of own shares	(1,987)	—	—	—	—	—	—	1,987	(20,817)	(20,817)	—	(20,817)
At 30 September 2020 (unaudited)	97,789	34,677	(75,626)	37,160	9,213	22,921	66,142	44,090	2,247,091	2,483,457	1,508	2,484,965

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2020*

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(147,395)	19,900
Net cash (used in)/generated from investing activities	(194,692)	421,367
Net cash generated from financing activities	<u>448,576</u>	<u>34,614</u>
Net increase in cash and cash equivalents	106,489	475,881
Cash and cash equivalents at 1 April	1,089,740	811,798
Effect of foreign exchange rate changes	<u>16,474</u>	<u>12,300</u>
Cash and cash equivalents at 30 September	<u><u>1,212,703</u></u>	<u><u>1,299,979</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u><u>1,212,703</u></u>	<u><u>1,299,979</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

(1) BASIS OF PREPARATION

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

(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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

The Group has applied Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

(2) **PRINCIPAL ACCOUNTING POLICIES** (continued)

Amendment to HKFRS 16 COVID-19-Related Rent Concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. During the current interim period, the COVID-19-related rent concessions recognised in the profit or loss amounted to approximately HK\$101,000. There is no impact on the opening balance of equity at 1 April 2020.

(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 2020 (unaudited)

	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>198,374</u>	<u>880,929</u>	<u>20,088</u>	<u>1,099,391</u>
RESULT				
Segment result	<u>2,369</u>	<u>166,037</u>	<u>7,176</u>	175,582
Bank interest income				3,266
Unallocated other income				7,918
Unallocated other expenses				(40,427)
Finance costs				(41,976)
Share of results of associates				(14)
Share of results of joint ventures				<u>(3,635)</u>
Profit before taxation				100,714
Income tax expense				<u>(22,486)</u>
Profit for the period				<u>78,228</u>

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

Six months ended 30 September 2019 (unaudited)

	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>327,082</u>	<u>2,073</u>	<u>53,583</u>	<u>382,738</u>
RESULT				
Segment result	<u>6,469</u>	<u>7,705</u>	<u>25,048</u>	39,222
Bank interest income				4,332
Gain on disposal of investment properties				7,655
Unallocated other income				8,140
Unallocated other expenses				(31,960)
Finance costs				(58,494)
Share of result of an associate				(8)
Share of results of joint ventures				<u>92,014</u>
Profit before taxation				60,901
Income tax credit				<u>2,323</u>
Profit for the period				<u><u>63,224</u></u>

Segment result represents the profit earned by each segment without allocation of central administration costs, gain on disposal of investment properties, share of results of associates, share of results of joint ventures, other income and finance costs. This is the measure reported to the chief operating decision maker 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 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	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and the PRC	192,069	372,686
North America	901,228	2,363
Europe	5,686	7,340
Others	408	349
	<u>1,099,391</u>	<u>382,738</u>

(4) **OTHER INCOME**

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	3,266	4,332
Government subsidies	4,110	–
Rent concessions	101	–
Sundry income	3,051	2,215
	<u>10,528</u>	<u>6,547</u>

(5) OTHER (LOSS)/GAINS — NET

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain	12,624	—
Gain on disposal of property, plant and equipment	257	19,560
(Loss)/gain on fair value changes of financial assets at fair value through profit or loss	(21,648)	883
	<u>(8,767)</u>	<u>20,443</u>

(6) FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts	62,129	75,335
Lease liabilities	819	1,427
	<u>62,948</u>	<u>76,762</u>
Total borrowing costs	62,948	76,762
Less: Amounts capitalised to investment properties and properties under development for sale	(20,972)	(18,268)
	<u>41,976</u>	<u>58,494</u>

(7) **PROFIT BEFORE TAXATION**

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	51,022	54,194
Depreciation of property, plant and equipment	8,258	11,422
Depreciation of right-of-use assets	14,513	11,976
Cost of inventories recognised as an expense	977,323	285,566
Expenses relating to short-term leases	724	863
and after crediting/(charging):		
Gross rental income	20,088	55,656
Less: Outgoings	<u>(11,710)</u>	<u>(22,534)</u>
Net rental income	<u>8,378</u>	<u>33,122</u>

Depreciation of right-of-use assets and interest on lease liability in respect of staff quarters are approximately HK\$4,249,000 and HK\$141,000 respectively (six months ended 30 September 2019: HK\$4,249,000 and HK\$379,000).

(8) INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– Over provision in prior years	–	5,000
Other jurisdictions		
– Current period	(21,451)	(22)
	<u>(21,451)</u>	<u>4,978</u>
Deferred tax		
– Current period	(1,035)	(2,655)
	<u>(22,486)</u>	<u>2,323</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(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	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>78,228</u>	<u>63,224</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>991,597,235</u>	<u>1,013,300,011</u>

(10) DIVIDENDS

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the period:		
2020 final dividend of 3.0 HK cents (2019: 3.0 HK cents) per share	29,692	30,369
2019 special cash dividend of 1.0 HK cent per share	—	10,123
	<u>29,692</u>	<u>40,492</u>

Subsequent to the end of the reporting period, the Directors proposed an interim dividend of 0.5 HK cent (2019: 0.5 HK cent) per share be paid to the shareholders of the Company whose names appear in the Register of Members on 15 December 2020.

(11) INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2019 (audited)	3,816,951
Additions	107,804
Disposal	(626,121)
Transfer from property, plant and equipment and right-of-use assets	68,126
Increase in fair value recognised in profit or loss – unrealised	138,831
Exchange realignment	<u>(5,039)</u>
At 31 March 2020 (audited)	3,500,552
Additions	24,363
Acquired on an acquisition of a subsidiary	173,680
Increase in fair value recognised in profit or loss – unrealised	83,068
Exchange realignment	<u>11,676</u>
At 30 September 2020 (unaudited)	<u><u>3,793,339</u></u>

(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 2020 have been arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Limited, Jones Lang LaSalle Limited and Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected with the Group.

The fair value of the investment property located in the PRC at 30 September 2020 has been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, independent qualified professional valuer not connected with the Group.

The fair value of the Group's investment property located in the United Kingdom at 30 September 2020 has been arrived at on the basis of a valuation carried out by Savills (UK) Limited, independent qualified professional valuer not connected with the Group.

The fair value of the Group's investment property located in Japan at 30 September 2020 has been arrived at on the basis of a valuation carried by CBRE K.K., independent qualified professional valuer not connected with the Group.

The fair values of the completed investment properties located in Hong Kong and the United Kingdom and the land located in Japan were determined based on direct 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 values of the investment properties under construction located in Hong Kong and the PRC were determined by using residual approach with the basis that the investment properties will be developed and completed in accordance with the latest development proposals and taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

(12) BILLS RECEIVABLES

As at the end of the reporting period, bills receivable of approximately HK\$605,000 are aged within 30 days (31 March 2020: Nil).

(13) TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Included in trade receivables, deposits and prepayments are trade receivables net of allowance for credit losses of approximately HK\$42,571,000 (31 March 2020: approximately HK\$16,754,000) with an ageing analysis as follows:

	At 30 September 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Within 30 days	31,181	12,131
31 to 90 days	7,954	1,070
91 to 180 days	35	533
Over 180 days	3,401	3,020
	<hr/>	<hr/>
	42,571	16,754
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(14) TRADE AND BILLS PAYABLES

The following is an ageing analysis of trade and bills payables presented based on the invoice date:

	At 30 September 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Within 30 days	39,307	37,927
31 to 90 days	17,295	7,538
91 to 180 days	12	48
Over 180 days	759	1,174
	<u>57,373</u>	<u>46,687</u>

(15) SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2019 (audited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 1 April 2019 (audited)	1,016,584,962	101,658
Cancelled on repurchase of shares	<u>(18,826,000)</u>	<u>(1,882)</u>
At 31 March 2020 (audited)	997,758,962	99,776
Cancelled on repurchase of shares	<u>(19,866,000)</u>	<u>(1,987)</u>
At 30 September 2020 (unaudited)	<u>977,892,962</u>	<u>97,789</u>

(16) CAPITAL COMMITMENTS

	At 30 September 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Contracted for but not provided:		
Construction and acquisition of properties	<u>130,723</u>	<u>23,201</u>

(17) RELATED PARTY TRANSACTIONS

- (1) The Group's balances with related parties are as follows:

	At 30 September 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Advance to an associate	9,361	3,995
Advance to a joint venture	48,701	48,370
Advance from an associate	4,555	4,555
Advance from a joint venture	<u>69,246</u>	<u>75,046</u>

- (2) The compensation to key management personnel during the period was approximately HK\$22,159,000 (six months ended 30 September 2019: HK\$23,393,000).

(18) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) *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).

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30/09/2020 (unaudited) HK\$'000	31/03/2020 (audited) HK\$'000			
Listed equity securities classified as financial assets at fair value through profit or loss	28,626	27,698	Level 1	Quoted bid prices in an active market	N/A
Listed debt securities classified as financial assets at fair value through profit or loss	1,820	1,742	Level 1	Quoted bid prices in an active market	N/A
Listed fund investment classified as financial assets at fair value through profit or loss	18,588	12,459	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity securities classified as financial assets at fair value through profit or loss	42,673	41,111	Level 3	Recent transaction price	Recent transaction price

(18) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)***(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis** *(continued)*

Financial assets/ Financial liabilities	Fair value as at 30/09/2020 (unaudited) HK\$'000	Fair value as at 31/03/2020 (audited) HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Unlisted fund investment classified as financial assets at fair value through profit or loss	106,024	139,950	Level 3	Net asset value ^(note)	Net asset value ^(note)
Unlisted debt securities classified as financial assets at fair value through profit or loss	–	3,677	Level 2	Quoted price provided by financial institutions	N/A
Unlisted debt securities classified as financial assets at fair value through profit or loss	9,688	527	Level 3	Discounted cash flows	Discount rates
Unlisted warrant investments classified as financial assets at fair value through profit or loss	4,843	4,574	Level 3	Binominal option pricing model	Recent transaction price
Interest rate swaps classified as derivative financial instruments	Liabilities- 3,012	Liabilities- 2,555	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties	N/A

Note: The net asset value is mainly attributable from an underlying unlisted investment with its fair value is determined with reference to the recent transaction price of the investment.

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

(18) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)***(ii) 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.

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted warrant investment <i>HK\$'000</i>	Unlisted debt securities <i>HK\$'000</i>	Unlisted equity securities <i>HK\$'000</i>	Unlisted fund investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019 (audited)	–	–	23,550	110,687	134,237
Purchase	3,293	585	16,187	8,651	28,716
Total gains/(losses) in profit or loss – unrealised	<u>1,281</u>	<u>(58)</u>	<u>1,374</u>	<u>20,612</u>	<u>23,209</u>
At 31 March 2020 and 1 April 2020 (audited)	4,574	527	41,111	139,950	186,162
Purchase	–	9,750	–	–	9,750
Transfer	–	(527)	527	–	–
Total gains/(losses) in profit or loss – unrealised	<u>269</u>	<u>(62)</u>	<u>1,035</u>	<u>(33,926)</u>	<u>(32,684)</u>
At 30 September 2020 (unaudited)	<u>4,843</u>	<u>9,688</u>	<u>42,673</u>	<u>106,024</u>	<u>163,228</u>

(19) EVENTS AFTER THE REPORTING PERIOD

On 15 October 2020, Cheer Rise Global Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with 503 Burlington Investments Worldwide Limited for the acquisition of a leasehold property located at Apartment 503 and Car Parking Space 49, Burlington Gate, 25 Cork Street, London, the United Kingdom. The consideration for the acquisition was £8,500,000 and the acquisition was completed on 30 October 2020.

INTERIM DIVIDEND

The Directors resolved to declare an interim dividend of 0.5 HK cent (2019: 0.5 HK cent) per share.

BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2020 was approximately HK\$1,099,391,000 as compared with HK\$382,738,000 over the same period last year. Net profit for the six months ended 30 September 2020 was approximately HK\$78,228,000 as compared with approximately HK\$63,224,000 over the same period in 2019.

During the period review, the performance of the property development and investment business was satisfactory. The Group completed the sold units sales of the Phase I residential condominium of the multi-phased mixed-use development project at 88 Queen Street East, Canada. The Group also completed its acquisition of HGL Investment Limited, which owns a residential property located at House 8, 39 Deep Water Bay Road on 11 June 2020.

During the same period, both the Group's watch manufacturing and watch component trading division and the hotel operation division recorded decreases in turnover and profit due to the severe and prolonged COVID-19 global pandemic.

PROSPECTS

While the COVID-19 pandemic will still affect the Group's watch and watch component business, the turnover and business of this segment have already improved.

In adapting to the changing environment, the Group's boutique hotel business has shifted more towards longer staying guests, and despite the international travel restrictions, the hotels have seen occupancy and rates beginning to recover.

The construction progress of the Group's luxurious residential project at 3 South Bay Close, Repulse Bay is satisfactory and the excavation and foundation work is scheduled to be completed towards the middle of 2021.

The excavation work of the Group's Phase III residential condominium of its multi-phased, mixed-use development at 88 Queen Street East, Toronto, Canada has completed and the foundation work will soon commence.

On 30 October 2020, the Group has completed the purchase of the leasehold property at Apartment 503 and Car Parking Space 49, Burlington Gate, 25 Cork Street, London, United Kingdom.

FINANCIAL REVIEW

Liquidity and financial resources

At 30 September 2020, the Group's total borrowings were approximately HK\$4,568 million. The maturity profile spreads over a period of 20 years, with approximately HK\$1,609 million repayable within one year, approximately HK\$2,720 million within two to five years and approximately HK\$239 million beyond five years.

At 30 September 2020, the Group's gearing ratio was 1.19 (31 March 2020: 1.19) which is calculated based on the Group's long-term bank borrowings of approximately HK\$2,959 million and shareholders' funds of approximately HK\$2,483 million.

At 30 September 2020, the Group's total bank balances and cash was approximately HK\$1,213 million (31 March 2020: HK\$1,090 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 2020, 81% of the Group's borrowings was in HKD, 16% in CAD, 1% in JPY, 1% in USD and 1% in GBP.

At 30 September 2020, 42% of the Group's bank balances and cash was in CAD, 37% in HKD, 10% in USD, 4% in JPY, 4% in RMB, 2% in GBP and 1% in EUR.

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 2020, certain properties and bank deposits of the Group of approximately HK\$4,724 million (31 March 2020: HK\$4,955 million) were pledged to secure banking facilities for the Group.

Employees

At 30 September 2020, the Group employed approximately 270 employees in Hong Kong, the PRC and other overseas countries. The staff costs recognised in profit or loss for the period including directors' emoluments amounted to approximately HK\$51 million (six months ended 30 September 2019: HK\$54 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

At 30 September 2020, 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:

DIRECTORS' INTERESTS IN SHARES (continued)

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 (note f)
Mr. Jimmy Lee Yuen Ching	Chairman	—	—	536,514,894 (notes a, b)	536,514,894	54.864%
Mr. Loewe Lee Bon Chi	Managing Director	21,720,000	—	549,514,894 (notes a, c)	571,234,894	58.415%
Mr. James Lee Yuen Kui	Managing Director	6,534	—	—	6,534	0.001%
Mr. Ricky Wai Kwong Yuen	Director	—	40,994,543 (note d)	—	40,994,543	4.192%
Dr. Samson Sun, M.B.E., J.P.	Director	—	5,817,864 (note e)	—	5,817,864	0.595%
Mr. William Chan Chak Cheung	Director	330,000	—	—	330,000	0.034%

Notes:

- (a) 516,514,894 shares are part of the property of two discretionary trusts of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries.
- (b) 20,000,000 shares are held by Mr. Jimmy Lee Yuen Ching's family member.
- (c) 33,000,000 shares are held by Mr. Loewe Lee Bon Chi's family member.
- (d) These 40,994,543 shares are part of the property of two discretionary trusts of which Mr. Ricky Wai Kwong Yuen is named beneficiary.
- (e) These 5,817,864 shares are held by a company which is controlled by Dr. Samson Sun, M.B.E., J.P. indirectly. Therefore, Dr. Samson Sun, M.B.E., J.P. is deemed to be interested in the shares held by that company under the SFO.
- (f) The percentage was calculated based on a total of 977,892,962 shares in issue as at 30 September 2020.

Saved as disclosed above, at 30 September 2020, 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain directors disclosed under the heading “Directors’ Interests in Shares” 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 2020.

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 2020.

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid (including expenses) HK\$
		Highest HK\$	Lowest HK\$	
May 2020	2,492,000	1.07	1.06	2,674,193
June 2020	1,556,000	1.04	1.04	1,624,030
July 2020	3,972,000	1.04	1.04	4,145,857
August 2020	5,514,000	1.05	1.04	5,773,413
September 2020	6,332,000	1.05	1.02	6,599,463
	<u>19,866,000</u>			<u>20,816,956</u>

CORPORATE GOVERNANCE

The Company had complied throughout the six months ended 30 September 2020 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.

CORPORATE GOVERNANCE *(continued)*

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 AND RISK MANAGEMENT COMMITTEE

The Company has established an Audit and Risk Management 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 and Risk Management Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial reporting matters. The interim results for the six months ended 30 September 2020, which have not been audited, have been reviewed by the Audit and Risk Management 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, 27 November 2020

As at the date of this report, the Executive Directors of the Company 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, Dorothy 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.