

NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213



INTERIM REPORT 2021

2021 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 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	374,119	1,099,391
Cost of sales		<u>(328,919)</u>	<u>(983,294)</u>
Gross profit		45,200	116,097
Other income	4	2,292	10,528
Other loss – net	5	(51,624)	(8,767)
Increase in fair value of investment properties	11	104,853	83,068
Distribution costs		(4,156)	(4,101)
Administrative expenses		(56,098)	(50,486)
Finance costs	6	(36,021)	(41,976)
Share of results of associates		(13)	(14)
Share of results of joint ventures		<u>59,263</u>	<u>(3,635)</u>
Profit before taxation	7	63,696	100,714
Income tax credit/(expense)	8	<u>619</u>	<u>(22,486)</u>
Profit for the period		<u>64,315</u>	<u>78,228</u>
Earnings per share	9		
Basic		<u>6.65 HK cents</u>	<u>7.89 HK cents</u>
Diluted		<u>6.65 HK cents</u>	<u>7.89 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Profit for the period	64,315	78,228
Other comprehensive income/(expense)		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	44	54,110
Fair value gain/(loss) on other assets at fair value through other comprehensive income	3,290	(140)
Other comprehensive income for the period	3,334	53,970
Total comprehensive income for the period	67,649	132,198
Profit attributable to:		
– Equity holders of the Company	64,354	78,260
– Non-controlling interests	(39)	(32)
	64,315	78,228
Total comprehensive income/(expense) attributable to:		
– Equity holders of the Company	67,688	132,230
– Non-controlling interests	(39)	(32)
	67,649	132,198

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2021*

		30 September 2021 (unaudited) HK\$'000	31 March 2021 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	11	4,097,970	3,946,423
Property, plant and equipment		63,506	63,996
Right-of-use assets		325,750	295,939
Goodwill		1,270	1,270
Interests in associates		7,274	7,287
Interests in joint ventures		434,311	375,048
Other assets at fair value through other comprehensive income		25,235	21,945
Debt instruments at amortised cost		3,250	3,280
Deferred tax assets		5,440	5,471
		<u>4,964,006</u>	<u>4,720,659</u>
CURRENT ASSETS			
Inventories		102,722	89,671
Financial assets at fair value through profit or loss		205,058	231,092
Inventory of unsold properties		67,884	68,960
Properties under development for sale		1,125,746	792,037
Bills receivables	12	748	564
Trade receivables, deposits and prepayments	13	415,996	301,675
Amount due from an associate		9,786	9,756
Amounts due from joint ventures		48,701	53,058
Tax recoverable		1,698	111
Bank balances and cash		1,018,923	1,095,051
		<u>2,997,262</u>	<u>2,641,975</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30 September 2021

		30 September 2021 (unaudited) HK\$'000	31 March 2021 (audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	14	92,532	61,818
Customers' deposits		543,992	401,715
Accrued expenses and other payables		103,585	109,252
Amount due to an associate		4,555	4,555
Amount due to a joint venture		123,868	–
Tax payable		3,341	18,075
Derivative financial instruments		1,125	2,190
Lease liabilities		16,053	13,909
Bank loans		1,116,319	918,731
		<u>2,005,370</u>	<u>1,530,245</u>
NET CURRENT ASSETS		<u>991,892</u>	<u>1,111,730</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>5,955,898</u>	<u>5,832,389</u>
CAPITAL AND RESERVES			
Share capital	15	96,590	97,017
Reserves		2,494,234	2,459,728
		<u>2,590,824</u>	<u>2,556,745</u>
Equity attributable to owners of the Company		2,590,824	2,556,745
Non-controlling interests		1,425	1,464
		<u>2,592,249</u>	<u>2,558,209</u>
NON-CURRENT LIABILITIES			
Provision for long service payments		1,633	1,633
Lease liabilities		65,490	34,742
Bank loans		3,232,894	3,173,434
Deferred tax liabilities		63,632	64,371
		<u>3,363,649</u>	<u>3,274,180</u>
		<u>5,955,898</u>	<u>5,832,389</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

Attributable to owners of the Company

	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 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)	—	—	—	—	—	—	—
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
At 1 April 2021 (audited)	97,017	34,677	(30,022)	37,160	10,213	22,921	66,142	44,862	2,273,775	2,556,745	1,464	2,558,209
Profit/(Loss) for the period	—	—	—	—	—	—	—	—	64,354	64,354	(39)	64,315
Other comprehensive income for the period	—	—	44	—	3,290	—	—	—	—	—	—	—
Total comprehensive income/ (expense) for the period	—	—	44	—	3,290	—	—	—	64,354	67,688	(39)	67,649
Dividend recognised as distribution	—	—	—	—	—	—	—	—	(29,037)	(29,037)	—	(29,037)
Repurchase of own shares	(427)	—	—	—	—	—	—	427	(4,572)	(4,572)	—	(4,572)
At 30 September 2021 (unaudited)	96,590	34,677	(29,978)	37,160	13,503	22,921	66,142	45,289	2,304,520	2,590,824	1,425	2,592,249

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2021*

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(262,995)	(147,395)
Net cash used in investing activities	(9,455)	(194,692)
Net cash generated from financing activities	<u>198,437</u>	<u>448,576</u>
Net (decrease)/increase in cash and cash equivalents	(74,013)	106,489
Cash and cash equivalents at 1 April	1,095,051	1,089,740
Effect of foreign exchange rate changes	<u>(2,115)</u>	<u>16,474</u>
Cash and cash equivalents at 30 September	<u><u>1,018,923</u></u>	<u><u>1,212,703</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u><u>1,018,923</u></u>	<u><u>1,212,703</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

(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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

(3) SEGMENT INFORMATION

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

Six months ended 30 September 2021 (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>343,281</u>	<u>475</u>	<u>30,363</u>	<u>374,119</u>
RESULT				
Segment result	<u>5,464</u>	<u>88,138</u>	<u>10,164</u>	103,766
Bank interest income				1,850
Unallocated other income				4,414
Unallocated other expenses				(69,563)
Finance costs				(36,021)
Share of results of associates				(13)
Share of results of joint ventures				<u>59,263</u>
Profit before taxation				63,696
Income tax credit				<u>619</u>
Profit for the period				<u>64,315</u>

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

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>

Segment result represents the profit earned by each segment without allocation of central administration costs, 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 People's Republic of China ("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	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and the PRC	362,448	192,069
North America	8,626	901,228
Europe	3,045	5,686
Others	—	408
	<u>374,119</u>	<u>1,099,391</u>

(4) **OTHER INCOME**

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,850	3,266
Government subsidies	—	4,110
Rent concessions	—	101
Sundry income	442	3,051
	<u>2,292</u>	<u>10,528</u>

(5) OTHER LOSS – NET

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain	–	12,624
Gain on disposal of property, plant and equipment	382	257
Loss on fair value changes of financial assets at fair value through profit or loss		
	<u>(52,006)</u>	<u>(21,648)</u>
	<u><u>(51,624)</u></u>	<u><u>(8,767)</u></u>

(6) FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts	44,579	62,129
Lease liabilities	<u>1,450</u>	<u>819</u>
Total borrowing costs	46,029	62,948
Less: Amounts capitalised to investment properties and properties under development for sale		
	<u>(10,008)</u>	<u>(20,972)</u>
	<u><u>36,021</u></u>	<u><u>41,976</u></u>

(7) **PROFIT BEFORE TAXATION**

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	50,124	51,022
Depreciation of property, plant and equipment	5,336	8,258
Depreciation of right-of-use assets	12,915	14,513
Cost of inventories recognised as an expense	321,851	977,323
Expenses relating to short-term leases	538	724

and after crediting/(charging):

Gross rental income	30,363	20,088
Less: Outgoings	(17,308)	(11,710)
	<u>13,055</u>	<u>8,378</u>
Net rental income	<u>13,055</u>	<u>8,378</u>

(8) **INCOME TAX CREDIT/(EXPENSE)**

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other jurisdictions		
– Current period	(120)	(21,451)
Deferred tax		
– Current period	739	(1,035)
	<u>619</u>	<u>(22,486)</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2020: 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	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	64,354	78,260
	<u>64,354</u>	<u>78,260</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	968,357,596	991,597,235
	<u>968,357,596</u>	<u>991,597,235</u>

No diluted earnings per share is presented for both periods as there were no potential ordinary shares in issue.

(10) DIVIDENDS

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the period:		
2021 final dividend of 3.0 HK cents (2020: 3.0 HK cents) per share	29,037	29,692
	<u>29,037</u>	<u>29,692</u>

Subsequent to the end of the reporting period, the Directors proposed an interim dividend of 0.5 HK cent (2020: 0.5 HK cent) per share be paid to the shareholders of the Company whose names appear in the Register of Members on 14 December 2021.

(11) INVESTMENT PROPERTIES

HK\$'000

FAIR VALUE

At 1 April 2020 (audited)	3,500,552
Additions	155,551
Acquired on an acquisition of a subsidiary	169,913
Increase in fair value recognised in profit or loss	89,949
Exchange realignment	30,458
	<hr/>
At 31 March 2021 (audited)	3,946,423
Additions	46,115
Increase in fair value recognised in profit or loss	104,853
Exchange realignment	579
	<hr/>
At 30 September 2021 (unaudited)	<u><u>4,097,970</u></u>

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 2021 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 2021 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 2021 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 2021 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.

(11) INVESTMENT PROPERTIES *(continued)*

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 receivables of approximately HK\$748,000 (31 March 2021: approximately HK\$564,000) are aged within 30 days.

(13) TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period:

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Within 30 days	30,783	28,522
31 to 90 days	28,467	14,219
91 to 180 days	–	5,830
Over 180 days	3,278	3,387
	<u>62,528</u>	<u>51,958</u>

(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 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Within 30 days	68,146	41,264
31 to 90 days	23,822	19,538
91 to 180 days	63	45
Over 180 days	501	971
	<u>92,532</u>	<u>61,818</u>

(15) SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2020 (audited), 31 March 2021 (audited) and 30 September 2021 (unaudited)	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 1 April 2020 (audited)	997,758,962	99,776
Cancelled on repurchase of shares	<u>(27,586,000)</u>	<u>(2,759)</u>
At 31 March 2021 (audited)	970,172,962	97,017
Cancelled on repurchase of shares	<u>(4,276,000)</u>	<u>(427)</u>
At 30 September 2021 (unaudited)	<u>965,896,962</u>	<u>96,590</u>

(16) CAPITAL COMMITMENTS

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Contracted for but not provided:		
Acquisition of a subsidiary	119,302	–
Construction of properties	26,511	42,657
Investment properties	10,468	–
Property, plant and equipment	–	7,138
	<u>156,281</u>	<u>49,795</u>

(17) RELATED PARTY TRANSACTIONS

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

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Advance to an associate	9,786	9,756
Advance to joint ventures	48,701	53,058
Advance from an associate	4,555	4,555
Advance from a joint venture	<u>123,868</u>	<u>–</u>

- (2) The compensation to key management personnel during the period was approximately HK\$17,826,000 (six months ended 30 September 2020: approximately HK\$22,159,000).

(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 fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement data;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30/09/2021 (unaudited) HK\$'000	31/03/2021 (audited) HK\$'000			
Listed equity securities classified as financial assets at fair value through profit or loss	123,256	36,498	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	399	1,863	Level 1	Quoted bid prices in an active market	N/A
Listed fund investments classified as financial assets at fair value through profit or loss	22,471	21,643	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	24,110	44,173	Level 3	Recent transaction price/ Option pricing model	Recent transaction price/ Volatility of equity value

(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		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30/09/2021 (unaudited) HK\$'000	31/03/2021 (audited) HK\$'000			
Unlisted fund investments classified as financial assets at fair value through profit or loss	31,966	113,040	Level 3	Net asset value ^(note)	Net asset value ^(note)
Unlisted debt securities classified as financial assets at fair value through profit or loss	–	10,995	Level 3	Discounted cash flows	Discount rate
Unlisted warrant investment classified as financial assets at fair value through profit or loss	2,856	2,880	Level 3	Binomial option pricing model	Recent transaction price
Interest rate swaps classified as derivative financial instruments	Liabilities- 1,125	Liabilities- 2,190	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 reflect 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.

In June 2021, an unlisted equity security of approximately HK\$15,667,000 was listed on The Toronto Stock Exchange, with its shares traded in an active market. Therefore, the fair value of the investment as at 30 September 2021 was determined based on a published price quotation available on The Toronto Stock Exchange and was classified as Level 1 of the fair value hierarchy.

Other than the transfer of the equity security from Level 3 to Level 1 explained above there were no transfers between the levels of the fair value hierarchy during the period. There were also no changes made to any of the valuation techniques applied as of 31 March 2021.

(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 2020 (audited)	4,574	527	41,111	139,950	186,162
Purchase	–	9,750	–	777	10,527
Conversion	–	(858)	858	–	–
Total (losses)/gains in profit or loss – unrealised	<u>(1,694)</u>	<u>1,576</u>	<u>2,204</u>	<u>(27,687)</u>	<u>(25,601)</u>
At 31 March 2021 and 1 April 2021 (audited)	2,880	10,995	44,173	113,040	171,088
Purchase	–	–	–	7,738	7,738
Settlement	–	(10,833)	–	–	(10,833)
Redemption	–	–	–	(53,666)	(53,666)
Transfer out of Level 3	–	–	(15,667)	–	(15,667)
Total losses in profit or loss – unrealised	<u>(24)</u>	<u>(162)</u>	<u>(4,396)</u>	<u>(35,146)</u>	<u>(39,728)</u>
At 30 September 2021 (unaudited)	<u>2,856</u>	<u>–</u>	<u>24,110</u>	<u>31,966</u>	<u>58,932</u>

(19) EVENTS AFTER THE REPORTING PERIOD

On 17 September 2021, New Eden Enterprises Limited (the “Purchaser”), an indirect wholly-owned subsidiary of the Company entered into the provisional sale and purchase agreement (the “Provisional SPA”) with an independent third party (the “Vendor”), pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and accept the assignment of, the 1 ordinary share of Speedy Tactic Limited (“STL”) representing the entire issued and paid up share capital of STL and the benefit of the loans owing by STL to the Vendor as at the completion of the acquisition in accordance with the terms of the Provisional SPA for a consideration of HK\$132,558,000 (subject to adjustment as set out in the announcement of the Company dated 17 September 2021) subject to and upon the terms and conditions of the Provisional SPA.

STL is principally engaged in property investment in Hong Kong.

The acquisition was completed on 29 October 2021.

INTERIM DIVIDEND

The Directors resolved to declare an interim dividend of 0.5 HK cent (2020: 0.5 HK cent) per share.

BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2021 was approximately HK\$374,119,000 as compared with HK\$1,099,391,000 over the same period last year. Net profit for the six months ended 30 September 2021 was approximately HK\$64,315,000 as compared with approximately HK\$78,228,000 over the same period in 2020.

During the period under review, the performance of the property development and investment business was satisfactory. On 2 July 2021 and 27 August 2021, the Group completed the disposal of two houses at its luxurious development 45 Tai Tam Road Hong Kong, a joint venture project with BPE Asia Real Estate Fund L.P., and the gains have been recorded in the share of results of joint ventures for the six months ended 30 September 2021.

On 17 September 2021, the Group entered into a provisional sales and purchase agreement with an independent third party to purchase the entire share capital and related shareholder's loan of Speedy Tactic Limited, which owns a residential property located at House 26, Le Palais, 8 Pak Pat Shan Road, Red Hill, Hong Kong. The transaction was completed on 29 October 2021.

During the same period, both the Group's watch manufacturing and watch component trading division and the hotel operation division recorded increase in turnover and profit.

PROSPECTS

The Group expects that its watch and watch component business will continue to see gradual improvement in turnover and profit though there will still be negative effects from the lingering COVID-19 pandemic.

The Group's boutique hotel business is anticipated to see a steady improvement in its occupancy and rates despite ongoing COVID-19 related travel restrictions in the region.

The Group has completed the alteration and addition work at House 8, 39 Deep Water Bay Road Hong Kong and started the interior fitting out programme.

The superstructure construction work of the Group's luxurious residential project at 3 South Bay Close is in progress and according to schedule.

The foundation work of the Group's Phase III residential condominium at 88 Queen Street East Toronto, Canada is close to completion and the superstructure construction work will soon commence.

PROSPECTS *(continued)*

The Group will maintain its marketing efforts regarding the three remaining houses at 45 Tai Tam Road.

The Group continues to search for property investment and development opportunities in Hong Kong, Toronto and London.

FINANCIAL REVIEW

Liquidity and financial resources

At 30 September 2021, the Group's total borrowings were approximately HK\$4,349 million. The maturity profile spreads over a period of 30 years, with approximately HK\$1,116 million repayable within one year, approximately HK\$3,014 million within two to five years and approximately HK\$219 million beyond five years.

At 30 September 2021, the Group's gearing ratio was 1.25 (31 March 2021: 1.24) which is calculated based on the Group's long-term bank borrowings of approximately HK\$3,233 million and shareholders' funds of approximately HK\$2,591 million.

At 30 September 2021, the Group's total bank balances and cash was approximately HK\$1,019 million (31 March 2021: approximately HK\$1,095 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 2021, 86% of the Group's borrowings was in HKD, 10% in CAD, 2% in JPY, 1% in USD and 1% in GBP.

At 30 September 2021, 60% of the Group's bank balances and cash was in CAD, 17% in HKD, 11% in USD, 6% in JPY, 4% in RMB and 2% in GBP.

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 2021, certain properties and bank deposits of the Group of approximately HK\$5,438 million (31 March 2021: approximately HK\$4,898 million) were pledged to secure banking facilities for the Group.

Employees

At 30 September 2021, the Group employed approximately 220 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\$50 million (six months ended 30 September 2020: approximately HK\$51 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 2021, 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	55.546%
Mr. Loewe Lee Bon Chi	Managing Director	21,720,000	-	549,514,894 (notes a, c)	571,234,894	59.140%
Mr. James Lee Yuen Kui	Managing Director	6,534	-	-	6,534	0.001%
Mr. Ricky Wai Kwong Yuen	Executive Director	-	40,994,543 (note d)	-	40,994,543	4.244%
Dr. Samson Sun, M.B.E., J.P.	Independent Non-executive Director	-	5,817,864 (note e)	-	5,817,864	0.602%
Mr. William Chan Chak Cheung	Independent Non-executive 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 965,896,962 shares in issue as at 30 September 2021.

Saved as disclosed above, at 30 September 2021, 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 2021.

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 2021.

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\$	
April 2021	1,120,000	1.06	1.04	1,191,408
June 2021	8,000	1.10	1.10	8,910
July 2021	1,134,000	1.10	1.06	1,221,850
August 2021	1,574,000	1.07	1.04	1,690,842
September 2021	440,000	1.04	1.04	459,376
	<u>4,276,000</u>			<u>4,572,386</u>

CORPORATE GOVERNANCE

The Company had complied throughout the six months ended 30 September 2021 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 2021, 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, 26 November 2021

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, Dorathy and the Independent Non-executive Directors are Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai.

SCHEDULE OF MAJOR PROPERTIES HELD BY THE GROUP

Details of the major properties held by the Group at 30 September 2021 are as follows:

INVESTMENT PROPERTIES

Location	Lease term	Group's interest	Type
The Putman No. 202 Queen's Road Central, Sheung Wan, Hong Kong	Long term	100%	Commercial
99 Bonham Nos. 99, 101-103 Bonham Strand and No. 127 Wing Lok Street, Sheung Wan, Hong Kong	Long term	100%	Commercial
One96 No. 196 Queen's Road Central, Sheung Wan, Hong Kong	Long term	100%	Commercial
The Jervois No. 89 Jervois Street, Sheung Wan, Hong Kong	Long term	100%	Commercial
Two parcels of land located at Nos. 10 and 12 Nali Road, Yinkai Industrial Park, Economic and Technological Development Area, Nanning, Guangxi Zhuangzu Autonomous Region, the PRC	Medium term	100%	Industrial
Apartment 306, Burlington Gate, together with Parking Space 7, 25 Cork Street, London W1S 3NB, United Kingdom	Long term	100%	Residential
Apartment 503, Burlington Gate, together with Parking Space 49, 25 Cork Street, London W1S 3NB, United Kingdom	Long term	100%	Residential
No. 3 South Bay Close, Repulse Bay, Hong Kong	Medium term	100%	Residential
House No. 8, No. 39 Deep Water Bay Road, Shouson Hill, Hong Kong	Medium term	100%	Residential

SCHEDULE OF MAJOR PROPERTIES HELD BY THE GROUP *(continued)*

PROPERTIES UNDER DEVELOPMENT FOR SALE

Location	Group's accounting classification	Group's interest	Site area (sq. m.)	Residential (sq. m.)	Retail and office (sq. m.)	Development status	Expected completion date
88 Queen Street East, Toronto, Ontario, Canada	Subsidiary	100%	3,197	39,701	10,360	The below grade construction is almost complete	2024

INVENTORY OF UNSOLD PROPERTIES

Location	Group's accounting classification	Group's interest	Residential (sq. m.)	Development status
House 1, House 5 and House 6, 45 Tai Tam Road, Hong Kong	Joint venture <i>(Note)</i>	50%	1,334	Completed

Total held through the joint venture: 1,334
- of which attributable to the Group: 667

Note: The carrying amount of the interest in joint venture as at 30 September 2021 represented 5.46% of the total assets of the Group.