

NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213



INTERIM REPORT 2023

## 2023 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 2023.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	269,381	266,291
Cost of sales		<u>(211,965)</u>	<u>(220,722)</u>
Gross profit		57,416	45,569
Other income	4	10,375	7,771
Other gain/(loss) – net	5	1,980	(24,585)
Increase in fair value of investment properties	11	117,364	140,984
Distribution costs		(4,262)	(4,365)
Administrative expenses		(51,979)	(87,972)
Finance costs	6	(105,545)	(48,746)
Share of results of associates		(4)	(26)
Share of results of joint ventures		<u>(8,008)</u>	<u>(4,656)</u>
Profit before taxation	7	17,337	23,974
Income tax credit/(expense)	8	<u>2,938</u>	<u>(2,669)</u>
<b>Profit for the period</b>		<u><b>20,275</b></u>	<u><b>21,305</b></u>
<b>Earnings per share</b>	9		
<b>Basic</b>		<u><b>2.20 HK cents</b></u>	<u><b>2.26 HK cents</b></u>
<b>Diluted</b>		<u><b>2.20 HK cents</b></u>	<u><b>2.26 HK cents</b></u>

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

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>20,275</b>	21,305
<b>Other comprehensive expense</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(13,502)	(74,789)
Fair value gain on other assets at fair value through other comprehensive income	—	765
Other comprehensive expense for the period	<u>(13,502)</u>	<u>(74,024)</u>
<b>Total comprehensive income/(expense) for the period</b>	<u><b>6,773</b></u>	<u>(52,719)</u>
<b>Profit attributable to:</b>		
– Equity holders of the Company	20,242	21,330
– Non-controlling interests	<u>33</u>	<u>(25)</u>
	<u><b>20,275</b></u>	<u>21,305</u>
<b>Total comprehensive income/(expense) attributable to:</b>		
– Equity holders of the Company	6,740	(52,694)
– Non-controlling interests	<u>33</u>	<u>(25)</u>
	<u><b>6,773</b></u>	<u>(52,719)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

		<b>30 September 2023 (unaudited) HK\$'000</b>	31 March 2023 (audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties	11	<b>5,100,016</b>	4,890,225
Property, plant and equipment		<b>50,290</b>	48,654
Right-of-use assets		<b>291,357</b>	301,784
Goodwill		<b>1,270</b>	1,270
Interests in associates		<b>7,241</b>	7,245
Interests in joint ventures		<b>323,764</b>	331,772
Other assets at fair value through other comprehensive income		<b>27,500</b>	27,500
Deferred tax assets		<b>5,634</b>	5,611
		<b>5,807,072</b>	5,614,061
<b>CURRENT ASSETS</b>			
Inventories		<b>81,779</b>	61,803
Financial assets at fair value through profit or loss		<b>104,394</b>	152,694
Inventory of unsold properties		<b>62,529</b>	62,325
Properties under development for sale		<b>1,822,368</b>	1,560,933
Bills receivables	12	<b>413</b>	665
Trade receivables, deposits and prepayments	13	<b>192,565</b>	184,432
Amount due from an associate		<b>9,889</b>	9,889
Amount due from a joint venture		<b>—</b>	8,701
Tax recoverable		<b>511</b>	499
Bank balances and cash		<b>539,618</b>	852,305
		<b>2,814,066</b>	2,894,246

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)

At 30 September 2023

		<b>30 September 2023 (unaudited) HK\$'000</b>	31 March 2023 (audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	57,074	28,995
Customers' deposits		573,405	567,907
Accrued expenses and other payables		209,531	167,573
Amount due to an associate		4,457	4,405
Amount due to a joint venture		182,368	199,368
Tax payable		4,667	3,567
Lease liabilities		14,898	16,756
Bank loans		<u>1,180,551</u>	<u>1,364,817</u>
		<u>2,226,951</u>	<u>2,353,388</u>
<b>NET CURRENT ASSETS</b>		<u>587,115</u>	<u>540,858</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>6,394,187</u></u>	<u><u>6,154,919</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	91,618	91,942
Reserves		<u>2,440,733</u>	<u>2,452,847</u>
Equity attributable to owners of the Company		2,532,351	2,544,789
Non-controlling interests		<u>1,393</u>	<u>1,360</u>
<b>TOTAL EQUITY</b>		<u>2,533,744</u>	<u>2,546,149</u>
<b>NON-CURRENT LIABILITIES</b>			
Provision for long service payments		1,183	1,183
Lease liabilities		43,590	50,958
Bank loans		3,743,936	3,481,975
Deferred tax liabilities		<u>71,734</u>	<u>74,654</u>
		<u>3,860,443</u>	<u>3,608,770</u>
		<u><u>6,394,187</u></u>	<u><u>6,154,919</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

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 2022 (audited)	94,931	34,677	(11,532)	37,160	15,003	22,921	66,142	46,948	2,308,970	2,615,220	1,385	2,616,605
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	21,330	21,330	(25)	21,305
Other comprehensive (expense)/income for the period	-	-	(74,789)	-	765	-	-	-	-	(74,024)	-	(74,024)
Total comprehensive (expense)/income for the period	-	-	(74,789)	-	765	-	-	-	21,330	(52,694)	(25)	(52,719)
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(28,262)	(28,262)	-	(28,262)
Repurchase of own shares	(2,158)	-	-	-	-	-	-	2,158	(21,942)	(21,942)	-	(21,942)
At 30 September 2022 (unaudited)	92,773	34,677	(86,321)	37,160	15,768	22,921	66,142	49,106	2,280,096	2,512,322	1,360	2,513,682
At 1 April 2023 (unaudited)	91,942	34,677	(68,864)	37,160	15,768	22,921	66,142	49,937	2,295,106	2,544,789	1,360	2,546,149
Profit for the period	-	-	-	-	-	-	-	-	20,242	20,242	33	20,275
Other comprehensive expense for the period	-	-	(13,502)	-	-	-	-	-	-	(13,502)	-	(13,502)
Total comprehensive (expense)/income for the period	-	-	(13,502)	-	-	-	-	-	20,242	6,740	33	6,773
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(16,539)	(16,539)	-	(16,539)
Repurchase of own shares	(324)	-	-	-	-	-	-	324	(2,639)	(2,639)	-	(2,639)
At 30 September 2023 (unaudited)	91,618	34,677	(82,366)	37,160	15,768	22,921	66,142	50,261	2,296,170	2,532,351	1,393	2,533,744

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(216,205)	113,972
Net cash used in investing activities	(49,924)	(99,147)
Net cash used in financing activities	<u>(48,254)</u>	<u>(121,216)</u>
Net decrease in cash and cash equivalents	(314,383)	(106,391)
Cash and cash equivalents at 1 April	852,305	1,100,196
Effect of foreign exchange rate changes	<u>1,696</u>	<u>(90,324)</u>
Cash and cash equivalents at 30 September	<u><u>539,618</u></u>	<u><u>903,481</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u><u>539,618</u></u>	<u><u>903,481</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## (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 investment properties and certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2023.

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the new and 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 2023 (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>
<b>REVENUE</b>				
External sales	<u>209,565</u>	<u>–</u>	<u>59,816</u>	<u>269,381</u>
<b>RESULT</b>				
Segment result	<u>2,054</u>	<u>105,717</u>	<u>33,964</u>	141,735
Bank interest income				9,128
Unallocated other income				2,130
Unallocated other expenses				(22,099)
Finance costs				(105,545)
Share of results of associates				(4)
Share of results of joint ventures				<u>(8,008)</u>
Profit before taxation				17,337
Income tax credit				<u>2,938</u>
Profit for the period				<u><u>20,275</u></u>

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

Six months ended 30 September 2022 (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>
<b>REVENUE</b>				
External sales	<u>227,886</u>	<u>–</u>	<u>38,405</u>	<u>266,291</u>
<b>RESULT</b>				
Segment result	<u>3,825</u>	<u>74,378</u>	<u>16,097</u>	94,300
Bank interest income				3,093
Unallocated other income				3,007
Unallocated other expenses				(22,998)
Finance costs				(48,746)
Share of results of associates				(26)
Share of results of joint ventures				<u>(4,656)</u>
Profit before taxation				23,974
Income tax expense				<u>(2,669)</u>
Profit for the period				<u>21,305</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	
	2023	2022
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and the PRC	265,138	256,500
North America	38	3,042
Europe	4,202	6,665
Others	3	84
	<u>269,381</u>	<u>266,291</u>

(4) **OTHER INCOME**

	Six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	9,128	3,093
Government subsidies <sup>(Note)</sup>	—	3,017
Sundry income	1,247	1,661
	<u>10,375</u>	<u>7,771</u>

Note: During the period ended 30 September 2022, the Group recognised government grants of approximately HK\$3,017,000 in respect of COVID-19-related subsidies which relates to Employment Support Scheme provided by the government of the HKSAR.

(5) OTHER GAIN/(LOSS) – NET

	Six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Gain/(loss) on fair value changes of financial assets at fair value through profit or loss	<u>1,980</u>	<u>(24,585)</u>

(6) FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts	150,360	66,036
Lease liabilities	<u>1,667</u>	<u>1,831</u>
Total borrowing costs	152,027	67,867
Less: Amounts capitalised to investment properties and properties under development for sale	<u>(46,482)</u>	<u>(19,121)</u>
	<u>105,545</u>	<u>48,746</u>

(7) **PROFIT BEFORE TAXATION**

	<b>Six months ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	<b>47,922</b>	52,197
Depreciation of property, plant and equipment	<b>2,514</b>	4,105
Depreciation of right-of-use assets	<b>10,313</b>	11,845
Cost of inventories recognised as an expense	<b>198,096</b>	204,467
Net foreign exchange loss	<b>3,434</b>	61,538
Expenses relating to short-term leases	<b>326</b>	355
and after crediting/(charging):		
Gross rental income	<b>59,816</b>	38,405
Less: Outgoings	<b>(24,466)</b>	(18,045)
Net rental income	<b>35,350</b>	20,360

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

	<b>Six months ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Other jurisdictions		
– Current period	<b>(2)</b>	(2)
Deferred tax		
– Current period	<b>2,940</b>	(2,667)
	<b>2,938</b>	(2,669)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2022: 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:

	<b>Six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share		
(Profit for the period attributable to owners of the Company)	<u>20,242</u>	<u>21,330</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>918,664,492</u>	<u>945,239,793</u>

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

**(10) DIVIDENDS**

	<b>Six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Dividends recognised as distribution during the period:		
2023 final dividend of 1.8 HK cents (2022: 3.0 HK cents) per share	<u>16,539</u>	<u>28,262</u>

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2023 (2022: 0.5 HK cent per share).

## (11) INVESTMENT PROPERTIES

HK\$ '000

### FAIR VALUE

At 1 April 2022 (audited)	4,347,962
Additions	187,104
Transfer from properties under development for sale	156,090
Increase in fair value recognised in profit or loss	229,368
Exchange realignment	(30,299)
	<hr/>
At 31 March 2023 (audited)	4,890,225
Additions	108,202
Increase in fair value recognised in profit or loss	117,364
Exchange realignment	(15,775)
	<hr/>
<b>At 30 September 2023 (unaudited)</b>	<b><u><u>5,100,016</u></u></b>

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 2023 have been arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Limited, Savills Valuation and Professional Services Limited and Colliers International (Hong Kong) Limited, independent qualified professional valuers not connected with the Group.

The fair value of the investment property located in the PRC at 30 September 2023 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 2023 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 2023 has been arrived at on the basis of a valuation carried out by CBRE K.K., independent qualified professional valuer not connected with the Group.

The fair values of the Group's investment properties located in Canada at 30 September 2023 have been arrived at on the basis of a valuation carried out by CBRE Limited, independent qualified professional valuer not connected with the Group.

**(11) INVESTMENT PROPERTIES** (continued)

The fair values of the completed investment properties located in Hong Kong and the United Kingdom, the investment properties under construction located in Canada 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 receivables of approximately HK\$413,000 (31 March 2023: approximately HK\$665,000) are aged within 30 days.

**(13) TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS**

The Group has a policy of allowing an average credit period of 30 to 60 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:

	<b>At 30 September 2023 (unaudited) HK\$'000</b>	<b>At 31 March 2023 (audited) HK\$'000</b>
Within 30 days	<b>11,744</b>	9,121
31 to 90 days	<b>9,112</b>	4,080
91 to 180 days	<b>12</b>	6
Over 180 days	<b>7,149</b>	7,166
	<b>28,017</b>	20,373



**(14) TRADE AND BILLS PAYABLES**

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

	<b>At 30 September 2023 (unaudited) HK\$'000</b>	<b>At 31 March 2023 (audited) HK\$'000</b>
Within 30 days	<b>34,804</b>	19,334
31 to 90 days	<b>21,864</b>	8,925
91 to 180 days	—	2
Over 180 days	<b>406</b>	734
	<b>57,074</b>	<b>28,995</b>

**(15) SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2022 (audited), 31 March 2023 (audited) and 30 September 2023 (unaudited)	<b>1,500,000,000</b>	<b>150,000</b>
Issued and fully paid:		
At 1 April 2022 (audited)	949,306,962	94,931
Cancelled on repurchase of shares	(29,886,000)	(2,989)
At 31 March 2023 (audited)	919,420,962	91,942
Cancelled on repurchase of shares	(3,236,000)	(324)
<b>At 30 September 2023 (unaudited)</b>	<b>916,184,962</b>	<b>91,618</b>

(16) CAPITAL COMMITMENTS

	At 30 September 2023 (unaudited) HK\$'000	At 31 March 2023 (audited) HK\$'000
Contracted for but not provided:		
Construction of properties	59,028	82,493
Investment properties	—	6,860
	<u>59,028</u>	<u>89,353</u>

(17) RELATED PARTY TRANSACTIONS

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

	At 30 September 2023 (unaudited) HK\$'000	At 31 March 2023 (audited) HK\$'000
Advance to an associate	9,889	9,889
Advance to a joint venture	—	8,701
Advance from an associate	4,457	4,405
Advance from a joint venture	<u>182,368</u>	<u>199,368</u>

(2) The compensation to key management personnel during the period was approximately HK\$16,976,000 (six months ended 30 September 2022: approximately HK\$17,226,000).

## (18) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### (i) *Fair value of the Group's financial assets 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	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30/09/2023 (unaudited) <i>HK\$'000</i>	31/03/2023 (audited) <i>HK\$'000</i>			
Listed equity securities classified as financial assets at fair value through profit or loss	111	50,846	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	36,180	36,709	Level 3	Recent transaction price	Recent transaction price
Unlisted fund investments classified as financial assets at fair value through profit or loss	68,103	65,139	Level 3	Net asset value <sup>(Note)</sup>	Net asset value <sup>(Note)</sup>

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.

(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 equity securities <i>HK\$'000</i>	Unlisted fund investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2022 (audited)	23,484	59,200	82,684
Purchase	36,709	6,732	43,441
Total losses in profit or loss	(23,484)	(793)	(24,277)
	<hr/>	<hr/>	<hr/>
At 31 March 2023 (audited)	36,709	65,139	101,848
Purchase	–	2,752	2,752
Total (losses)/gains in profit or loss	(529)	212	(317)
	<hr/>	<hr/>	<hr/>
<b>At 30 September 2023 (unaudited)</b>	<b><u>36,180</u></b>	<b><u>68,103</u></b>	<b><u>104,283</u></b>

## (19) EVENTS AFTER THE REPORTING PERIOD

On 27 July 2023, Century Wisdom Limited (the “**Vendor**”), an indirect wholly-owned subsidiary of the Company, and National Properties Holdings Limited (the “**Guarantor**”), a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “**SPA**”) with the third party (the “**Purchaser**”), pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take up the assignment of, the 100 ordinary shares of HGL Investment Limited (the “**Target Company**”), an indirect wholly-owned subsidiary of the Company, held by the Vendor, representing the entire issued and paid up share capital of the Target Company and the benefit of the loan owing or payable to the Vendor by the Target Company as at the completion of the disposal for an initial consideration of HK\$266,000,000 (subject to adjustment as set out in the announcement of the Company dated 27 July 2023), and the Guarantor agreed to guarantee the Vendor’s post-completion obligations under the SPA, subject to and upon the terms and conditions of the SPA.

The Target Company is principally engaged in property investment in Hong Kong.

The disposal was completed on 11 October 2023. Upon completion, the results, assets and liabilities of the Target Company were no longer consolidated to the consolidated financial statements of the Group.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2023 (2022: 0.5 HK cent per share).

## **BUSINESS REVIEW**

The Group's turnover for the six months ended 30 September 2023 was approximately HK\$269,381,000 as compared with approximately HK\$266,291,000 over the same period last year. Profit attributable to shareholders of the Company for the six months ended 30 September 2023 was approximately HK\$20,242,000 as compared with approximately HK\$21,330,000 over the same period in 2022.

During the period under review, the Group entered into a sales and purchase agreement with an independent third party on 27 July 2023 for the disposal of the entire share capital and shareholders loan of its subsidiary, HGL Investment Limited. The transaction was completed on 11 October 2023.

Regarding the Group's Phase III mixed-use project at 88 Queen Street East, Toronto, Canada, the Group made an application to the City of Toronto, Canada for permission to build one additional floor comprising 12 residential units and the approval was granted on 12 July 2023. The Group intends to keep these units for long-term investment purpose.

The Group's boutique hotel division performed well, achieving higher revenue and profit while maintaining a high occupancy rate during the period under review.

During the same period, the Group's watch manufacturing and watch component trading division recorded slight decreases in turnover and profit.

## **PROSPECTS**

The worldwide interest rate hikes and the slowdown in growth of China's economy are major headwinds to the Group's watch and watch component business and the Group expects performance will continue to be under pressure.

The Group's boutique hotel business is anticipated to continue its positive performance as the focus will be on increasing rates.

The construction work of the Group's luxurious residential project at 1 South Bay Close is anticipated to be completed in the first half of 2024 after which the Group will be furnishing exemplary designer show flats.

The superstructure construction work of the Group's Phase III mixed-use project at 88 Queen Street East in Toronto, Canada is progressing well and according to schedule.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

At 30 September 2023, the Group's total borrowings were approximately HK\$4,924 million. The maturity profile spreads over a period of 30 years, with approximately HK\$1,180 million repayable within one year, approximately HK\$3,534 million within two to five years and approximately HK\$210 million beyond five years.

At 30 September 2023, the Group's gearing ratio was 1.48 (31 March 2023: 1.37) which is calculated based on the Group's long-term bank borrowings of approximately HK\$3,744 million and shareholders' funds of approximately HK\$2,532 million.

At 30 September 2023, the Group's total bank balances and cash was approximately HK\$540 million (31 March 2023: approximately HK\$852 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 2023, 80% of the Group's borrowings was in HKD, 17% in CAD, 2% in GBP and 1% in JPY and USD.

At 30 September 2023, 40% of the Group's bank balances and cash was in USD, 34% in HKD, 10% in CAD, 8% in JPY, 7% in RMB and 1% 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 2023, certain properties and bank deposits of the Group of approximately HK\$7,202 million (31 March 2023: approximately HK\$6,798 million) were pledged to secure banking facilities for the Group.

## Employees

At 30 September 2023, the Group employed approximately 240 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\$48 million (six months ended 30 September 2022: approximately HK\$52 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 2023, 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:

### 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 e)
Mr. Jimmy Lee Yuen Ching	Chairman	–	–	536,514,894 (notes a, b)	536,514,894	58.560%
Mr. Loewe Lee Bon Chi	Managing Director	21,720,000	–	549,514,894 (notes a, c)	571,234,894	62.349%
Mr. James Lee Yuen Kui	Managing Director	6,534	–	–	6,534	0.001%
Mr. Ricky Wai Kwong Yuen	Executive Director	40,994,543	–	–	40,994,543	4.474%
Mr. William Chan Chak Cheung	Independent Non-executive Director	330,000	–	–	330,000	0.036%
Mr. David Sun Dai Wai	Independent Non-executive Director	–	6,097,857 (note d)	–	6,097,857	0.666%



## **DIRECTORS' INTERESTS IN SHARES** (continued)

### *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 6,097,857 shares are held by Sun International Limited, the issued share capital of which are owned by Mr. David Sun Dai Wai and parties acting in concert with him. Therefore Mr. David Sun Dai Wai is deemed to be interested in the shares held by that company under the SFO.
- (e) The percentage was calculated based on a total of 916,184,962 shares in issue as at 30 September 2023.

Saved as disclosed above, at 30 September 2023, 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 2023.

## 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 2023.

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 2023	96,000	0.93	0.87	87,103
May 2023	332,000	0.91	0.84	294,763
June 2023	4,000	0.84	0.84	3,465
July 2023	162,000	0.82	0.80	131,193
August 2023	772,000	0.80	0.80	620,148
September 2023	1,870,000	0.80	0.79	1,502,013
	<u>3,236,000</u>			<u>2,638,685</u>

## CORPORATE GOVERNANCE

The Company had complied throughout the six months ended 30 September 2023 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(A). The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code A.4.1.

Pursuant to the CG Code A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In the opinion of the Board, the Chairman and Managing Director play a pivotal role in charting of corporate strategies and direction of the Group and should not be subject to retirement by rotation in consideration of the stability and continuity development of the Group. As such, the Board believes that exempting the Chairman and Managing Director from retiring from office by rotation at Annual General Meeting in accordance with the Bye-law 99(A) 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 Mr. Chan Kwok Wai, Mr. Chan Chak Cheung, William and Mr. Sun Dai Wai, David, 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 2023, 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, 29 November 2023

*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 Mr. Chan Chak Cheung, William, Mr. Chan Kwok Wai and Mr. Sun Dai Wai, David.*

## SCHEDULE OF MAJOR PROPERTIES HELD BY THE GROUP

Details of the major properties held by the Group at 30 September 2023 are as follows:

### INVESTMENT PROPERTIES

<b>Location</b>	<b>Lease term</b>	<b>Group's interest</b>	<b>Type</b>
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. 1 South Bay Close, Repulse Bay, Hong Kong	Medium term	100%	Residential

Location	Lease term	Group's interest	Type
House No. 8, No. 39 Deep Water Bay Road, Shouson Hill, Hong Kong	Medium term	100%	Residential
House No. 26, Le Palais, No. 8 Pak Pat Shan Road, Tai Tam, Hong Kong	Medium term	100%	Residential
43 Remaining Residential Units in Phase III at 88 Queen Street East, Toronto, Ontario, Canada	Freehold	100%	Residential

### 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	37,357	10,360	The above grade podium construction has been completed and the tower construction has surpassed the fiftieth floor	2024

### INVENTORY OF UNSOLD PROPERTIES

Location	Group's accounting classification	Group's interest	Residential (sq. m.)	Development status
House No. 1 and House No. 6, 45 Tai Tam Road, Hong Kong	Joint venture <sup>(Note)</sup>	50%	889	Completed

Total held through the joint venture: 889  
– of which attributable to the Group: 444.5

Note: The carrying amount of the interest in joint venture as at 30 September 2023 represented 3.76% of the total assets of the Group.