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DICKSON CONCEPTS (INTERNATIONAL) LIMITED

迪生創建(國際)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0113)

**GROUP INTERIM RESULTS
FOR THE SIX MONTHS ENDED
30TH SEPTEMBER, 2019**

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS AND INTERIM DIVIDEND

For the six months ended 30th September, 2019, the Group's turnover was HK\$1,712.9 million, a decrease of 6.6 per cent..

Net profit attributable to equity shareholders was HK\$119.0 million (2018 : HK\$133.5 million), a decrease of 10.9 per cent.. The Group's investment portfolio contributed a net profit of HK\$11.8 million (2018 : HK\$10.3 million).

In view of these results, the Board has resolved to declare an interim dividend of HK8 cents (2018 : HK8 cents) per ordinary share.

BUSINESS REVIEW

During the period under review, the Group achieved significant growth in both sales and profit in Hong Kong during the initial few months. However, the retail climate in Hong Kong deteriorated significantly thereafter and Mainland Chinese tourists all but disappeared. In Taiwan, like-for-like profits increased by 169 per cent. as a result of margin improvement and cost and inventory control.

The new Harvey Nichols store at Pacific Place officially opened on 19th September, 2019, and marks the department store's first new format flagship store globally. For the first time, the department store combines its offline services and local product offering with Harvey Nichols' worldwide online product offering. By leveraging interactive digital displays alongside traditional physical display units, the store now showcases over three times the number of products with half the space, thereby enabling an increase in sales density with significantly reduced fixed costs, while offering customers a truly differentiated shopping experience. The new store has been well received since its opening. We are confident that the store and the new model will become a long-term success.

FULL YEAR PROSPECTS

The Group is extremely pessimistic about the retail climate in Hong Kong. Trading has been adversely affected and sales have been achieved at the expense of margin. Meanwhile, fixed costs remain very high. Additionally, the Group does not expect a return of Asian and Mainland Chinese tourists in the foreseeable future. Significantly worse result could be expected in the second half of this financial year. With Hong Kong in recession, the future looks bleak.

The Group has always rigorously controlled costs at all levels of operation and will continue to do so.

On the investment side, the Group will continue to seek new investment opportunities to diversify and broaden its earnings base.

With net cash of HK\$1,728.0 million and its strong balance sheet, the Group is in a strong position to cope with Hong Kong's recession and the very difficult retail climate.

Dickson Poon
Group Executive Chairman

Hong Kong, 27th November, 2019

The board of Directors (“the Board”) of Dickson Concepts (International) Limited (“the Company”) announces that the unaudited consolidated results of the Company and its subsidiary companies (together “the Group”) for the six months ended 30th September, 2019 together with the comparative figures are as follows :-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30th September, 2019

	NOTE	Six months ended 30th September,	
		2019 (unaudited) HK\$'000	2018 (unaudited) (restated) HK\$'000
Revenue	2	1,712,925	1,834,078
Cost of sales		<u>(956,426)</u>	<u>(951,016)</u>
Gross profit		756,499	883,062
Other income	3	515,268	7,365
Selling and distribution expenses		(931,141)	(623,787)
Administrative expenses		(129,399)	(84,935)
Other operating expenses		<u>(21,511)</u>	<u>(27,340)</u>
Operating profit		189,716	154,365
Finance costs		(18,780)	(15,489)
Share of profit of an associated company		<u>—</u>	<u>1</u>
Profit before taxation	4	170,936	138,877
Taxation	5	<u>(51,927)</u>	<u>(5,380)</u>
Profit for the period attributable to equity shareholders of the Company		<u>119,009</u>	<u>133,497</u>
Earnings per share (basic and diluted)	6	<u>29.8 cents</u>	<u>33.8 cents</u>

Note :-

The Group has initially applied HKFRS 16 on 1st April, 2019 using the full retrospective approach. Under this approach, comparative information has been restated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30th September, 2019

	Six months ended 30th September,	
	2019	2018
	(unaudited)	(unaudited)
		(restated)
	HK\$'000	HK\$'000
Profit for the period	119,009	133,497
Other comprehensive income for the period :		
Item that may be reclassified subsequently to profit or loss :		
Exchange differences on translation of financial statements of overseas subsidiary and associated companies (Note a)	<u>(5,218)</u>	<u>(29,181)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>113,791</u>	<u>104,316</u>

Notes :-

- (a) There is no tax effect relating to the above component of the comprehensive income.
- (b) The Group has initially applied HKFRS 16 on 1st April, 2019 using the full retrospective approach. Under this approach, comparative information has been restated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2019

	NOTE	30/9/2019 (unaudited) HK\$'000	31/3/2019 (restated) HK\$'000	1/4/2018 (restated) HK\$'000
Non-current assets				
Property, plant and equipment		51,628	65,212	96,192
Right-of-use assets		492,209	794,812	857,234
Interest in an associated company		23,000	24,188	25,895
Deferred tax assets		2,936	2,958	3,171
Other financial assets	8	<u>991,062</u>	<u>489,621</u>	<u>239,698</u>
		1,560,835	1,376,791	1,222,190
Current assets				
Inventories		344,685	415,440	472,271
Debtors, deposits and prepayments	9	375,884	333,497	317,427
Tax recoverable		—	1,152	2,138
Other financial assets	8	172,118	351,612	175,793
Cash and bank balances		<u>2,319,344</u>	<u>1,739,142</u>	<u>1,754,795</u>
		3,212,031	2,840,843	2,722,424
Current liabilities				
Bank loans	10	591,392	—	126,439
Bills payable		—	—	9
Creditors and accruals	11	528,342	688,030	596,751
Lease liabilities		286,237	373,390	375,077
Taxation		<u>64,392</u>	<u>23,946</u>	<u>18,977</u>
		1,470,363	1,085,366	1,117,253
Net current assets		<u>1,741,668</u>	<u>1,755,477</u>	<u>1,605,171</u>
Total assets less current liabilities		3,302,503	3,132,268	2,827,361
Non-current liabilities				
Lease liabilities		780,377	591,987	556,671
Deferred tax liabilities		20,572	21,607	24,417
Amount due to an associated company		<u>23,067</u>	<u>23,612</u>	<u>25,272</u>
Net assets		<u>2,478,487</u>	<u>2,495,062</u>	<u>2,221,001</u>
Capital and reserves				
Share capital	12	118,463	119,999	117,975
Reserves		<u>2,360,024</u>	<u>2,375,063</u>	<u>2,103,026</u>
Total equity attributable to equity shareholders of the Company		<u>2,478,487</u>	<u>2,495,062</u>	<u>2,221,001</u>

Note :-

The Group has initially applied HKFRS 16 on 1st April, 2019 using the full retrospective approach. Under this approach, comparative information has been restated.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30th September, 2019 but are extracted from the interim financial report.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27th November, 2019.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 1(b).

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board is included in the interim report to be sent to shareholders. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

(b) Changes in accounting policies

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

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

HKFRS 16, *Leases*

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

The Group has initially applied HKFRS 16 on 1st April, 2019 using the full retrospective approach. Accordingly, the Group has recognised the cumulative effect of applying HKFRS 16 at the start of the earliest comparative period as if the accounting requirements under the new accounting standard had always been applied and restated the comparative information of the financial statements.

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

(i) Change in the accounting policies

(1) New definition of a lease

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

The Group applies the new definition of a lease in HKFRS 16 retrospectively to all contracts except for short-term leases and leases of low-value assets.

(2) Lessee accounting

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

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

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

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

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

(3) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operation lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

- (ii) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies.

Determining the leases term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(iii) Impact on the financial results and cash flows of the Group

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

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

The following table reconciles the Group's financial results and cash flows for the six months ended 30th September, 2018 as previously reported to the restated results upon the adoption of HKFRS 16.

	As previously reported HK\$'000	Effect of adoption of HKFRS 16 HK\$'000	As restated HK\$'000
<i>Consolidated statement of profit or loss for the corresponding six months ended 30th September, 2018 :-</i>			
Selling and distribution expenses	(641,404)	17,617	(623,787)
Administrative expenses	(85,132)	197	(84,935)
Operating profit	136,551	17,814	154,365
Finance costs	(2,284)	(13,205)	(15,489)
Profit before taxation	134,268	4,609	138,877
Profit for the period attributable to the equity shareholders of the Company	128,888	4,609	133,497
Earnings per share (HK cent)	32.6	1.2	33.8
<i>Condensed consolidated cash flow statement for the corresponding six months ended 30th September, 2018 :-</i>			
Net cash (used in) / generated from operating activities	(26,163)	246,498	220,335
Capital element of lease rentals paid	—	(233,293)	(233,293)
Interest element of lease rentals paid	—	(13,205)	(13,205)
Net cash generated from / (used in) financing activities	49,797	(246,498)	(196,701)

(iv) Impact on the consolidated statement of financial position of the Group

The following table summarises the impact of the adoption of HKFRS 16 on the Group's financial positions as at 1st April, 2018 and 31st March, 2019 respectively.

	As previously reported HK\$'000	Effect of adoption of HKFRS 16 HK\$'000	As restated HK\$'000
<i>Consolidated statement of financial position as at 31st March, 2019 :-</i>			
Property, plant and equipment	65,347	(135)	65,212
Right-of-use assets	—	794,812	794,812
Creditors, accruals and provisions	(832,999)	144,969	(688,030)
Lease liabilities – current	—	(373,390)	(373,390)
Lease liabilities – non-current	—	(591,987)	(591,987)
Exchange reserve	(113,661)	(42)	(113,703)
Retained profits	(1,760,718)	25,773	(1,734,945)
<i>Consolidated statement of financial position as at 1st April, 2018 :-</i>			
Property, plant and equipment	110,781	(14,589)	96,192
Right-of-use assets	—	857,234	857,234
Creditors, accruals and provisions	(652,546)	55,795	(596,751)
Lease liabilities – current	—	(375,077)	(375,077)
Lease liabilities – non-current	—	(556,671)	(556,671)
Retained profits	(1,479,328)	33,308	(1,446,020)

2. REVENUE AND SEGMENTAL INFORMATION

(a) Revenue

The principal activities of the Group are the Sale of Luxury Goods and Securities Investment.

Revenue represents the invoiced value of goods sold less discounts and returns, income from concession and consignment sales, net gain / (loss) on debt securities and securities held for trading, dividend income, and interest income from debt securities and short-term bank deposits under Securities Investment segment.

The amount of each significant category of revenue is as follows :-

	Six months ended 30th September,	
	2019	2018
	HK\$'000	HK\$'000
Revenue from Sale of Luxury Goods and net income from concession and consignment sales		
Watches and jewellery	780,998	591,247
Cosmetics and beauty products	523,282	634,833
Fashion and accessories	<u>389,023</u>	<u>597,821</u>
	1,693,303	1,823,901
Revenue from Securities Investment	<u>19,622</u>	<u>10,177</u>
	<u>1,712,925</u>	<u>1,834,078</u>

Information about major customers

The Group sells goods to numerous individual customers without concentration of reliance. There is no disclosable information of major customers under HKFRS 8, *Operating segments*.

(b) Segment reporting

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments :-

Sale of Luxury Goods business : The sale of luxury goods to retail and wholesale customers and net income from concession and consignment sales.

Securities Investment business : The investment in listed and unlisted securities.

(i) Segment results

Information regarding the Group's reportable segments for the six months ended 30th September, 2019 and 30th September, 2018 respectively is set out below.

	Sale of Luxury Goods		Securities Investment		Total	
	Six months ended 30th September, 2019		Six months ended 30th September, 2019		Six months ended 30th September, 2019	
	2018 (restated)	2018 (restated)	2018	2018	2018 (restated)	2018 (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>1,693,303</u>	<u>1,823,901</u>	<u>19,622</u>	<u>10,177</u>	<u>1,712,925</u>	<u>1,834,078</u>
Reportable segment revenue	<u>1,693,303</u>	<u>1,823,901</u>	<u>19,622</u>	<u>10,177</u>	<u>1,712,925</u>	<u>1,834,078</u>
Reportable segment profit	107,164	123,187	11,845	10,310	119,009	133,497

Revenue and expenses are allocated to the reportable segments with reference to the sales generated and expenses incurred by those segments. The measure used for reporting segment profit is profit after taxation.

- (ii) Reconciliations of reportable segment revenue and profit or loss

Revenue and profit

No reconciliation of revenue and profit after taxation is required as the total reportable segments' figures are equal to the Group's consolidated figures.

- (iii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, right-of-use assets and interest in an associated company. The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, and right-of-use assets, and the location of operations, in the case of interest in an associated company.

	Revenues from external customers		Specified non-current assets	
	Six months ended 30th September,		30/9/2019	31/3/2019
	2019	2018		(restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	1,403,553	1,445,125	502,732	772,915
Taiwan	259,428	297,397	31,474	40,105
Other territories	49,944	91,556	32,631	71,192
	309,372	388,953	64,105	111,297
Total	1,712,925	1,834,078	566,837	884,212

3. OTHER INCOME

	Six months ended 30th September,	
	2019	2018
	HK\$'000	HK\$'000
Net realised and unrealised (loss) / gain on unlisted equity securities	(2,371)	3,524
Interest income	19,114	7,091
Loss on disposal of property, plant and equipment	(163)	(169)
Net foreign exchange loss	(2,092)	(3,081)
Other income (Note)	500,780	—
	515,268	7,365

Note :-

Other income represented amounts received / receivable by the Group for termination / expiration of distribution licences.

4. PROFIT BEFORE TAXATION

	Six months ended 30th September,	
	2019	2018
	HK\$'000	(restated) HK\$'000
Profit before taxation is arrived at after charging :-		
Depreciation		
- property, plant and equipment	12,613	15,351
- right-of-use assets	187,034	237,782
Interest on bank loans	5,046	2,284
Interest on lease liabilities	13,734	13,205
Impairment loss on right-of-use assets	<u>410,000</u>	<u>—</u>

5. TAXATION

	Six months ended 30th September,	
	2019	2018
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	9,185	—
Under-provision in respect of prior years	<u>300</u>	<u>24</u>
	<u>9,485</u>	24
	-----	-----
Current tax — Overseas		
Provision for the period	42,746	5,322
(Over) / under-provision in respect of prior years	<u>(304)</u>	<u>35</u>
	<u>42,442</u>	5,357
	-----	-----
Deferred tax		
Origination and reversal of temporary differences	—	(1)
	<u>-----</u>	<u>-----</u>
Total income tax expense	<u>51,927</u>	<u>5,380</u>

Taxation in the consolidated statement of profit or loss includes provision for Hong Kong Profits Tax at 16.5 per cent. (2018 : 16.5 per cent.) on the estimated assessable profits for the period after deducting tax losses brought forward from previous years.

Taxation for overseas subsidiary companies is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to ordinary equity shareholders of the Company of HK\$119,009,000 (2018 (restated) : HK\$133,497,000) and the weighted average number of 398,836,290 ordinary shares (2018 : 395,139,314 ordinary shares) in issue during the period.

Weighted average number of ordinary shares

	Six months ended 30th September,	
	2019	2018
	Number	Number
	of shares	of shares
	Thousands	Thousands
Issued ordinary shares at 1st April	399,998	393,251
Effect of scrip dividend	—	2,095
Effect of shares repurchased	<u>(1,162)</u>	<u>(207)</u>
Weighted average number of ordinary shares at 30th September	<u>398,836</u>	<u>395,139</u>

7. DIVIDENDS

	Six months ended 30th September,	
	2019	2018
	HK\$'000	HK\$'000
(a) Interim dividend declared after the interim period end : HK8 cents (2018 : HK8 cents) per ordinary share	<u>31,536</u>	<u>32,463</u>
(b) Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK27 cents (for the year ended 31st March, 2018 : HK23 cents) per ordinary share	<u>107,673</u>	<u>90,448</u>

8. OTHER FINANCIAL ASSETS

	30/9/2019	31/3/2019
	HK\$'000	HK\$'000
Non-current assets		
Listed debt securities measured at amortised cost	766,610	264,911
Unlisted equity securities designated at fair value through profit or loss	<u>224,452</u>	<u>224,710</u>
	991,062	489,621
	-----	-----
Current assets		
Listed debt securities measured at amortised cost	93,708	70,034
Investment in securities held for trading at fair value	78,410	70,219
Listed equity securities held for trading	<u>—</u>	<u>211,359</u>
	172,118	351,612
	<u>-----</u>	<u>-----</u>
	1,163,180	<u>841,233</u>

9. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors (net of loss allowance) with the following ageing analysis based on due date as at the end of the reporting period :-

	30/9/2019	31/3/2019
	HK\$'000	HK\$'000
Current	78,578	127,954
Over 60 days overdue	<u>83</u>	<u>136</u>
	<u>78,661</u>	<u>128,090</u>

Trade debtors are due within 30 to 90 days from the date of billing.

All debtors, deposits and prepayments of the Group, apart from certain rental deposits totalling HK\$109,839,000 (as at 31st March, 2019 : HK\$133,203,000), are expected to be recovered or recognised as an expense within one year.

10. BANK LOANS

At the end of the reporting period, the bank loans were repayable within one year and secured as follows :-

	30/9/2019	31/3/2019
	HK\$'000	HK\$'000
Secured	<u>591,392</u>	<u>—</u>
	<u>591,392</u>	<u>—</u>

At 30th September, 2019, the banking facilities of a subsidiary company were secured by a charge over certain listed debt securities with total carrying value of HK\$860,318,000.

The effective borrowing interest rate at 30th September, 2019 for the Group was 2.57 per cent..

11. CREDITORS AND ACCRUALS

	30/9/2019	31/3/2019
	HK\$'000	(restated) HK\$'000
Trade creditors	188,355	273,117
Contract liabilities	15,800	16,711
Net defined benefit asset	(844)	(850)
Other creditors and accruals	<u>325,031</u>	<u>399,052</u>
	<u>528,342</u>	<u>688,030</u>

Included in creditors and accruals are trade creditors with the following ageing analysis based on due date as at the end of the reporting period :-

	30/9/2019	31/3/2019
	HK\$'000	HK\$'000
Current	186,337	272,918
1 to 30 days overdue	146	151
31 to 60 days overdue	1,279	32
Over 60 days overdue	<u>593</u>	<u>16</u>
	<u>188,355</u>	<u>273,117</u>

12. SHARE CAPITAL

	30/9/2019		31/3/2019	
	Number of shares Thousands	Nominal value HK\$'000	Number of shares Thousands	Nominal value HK\$'000
Authorised :-				
Ordinary shares of HK\$0.30 each	<u>518,000</u>	<u>155,400</u>	<u>518,000</u>	<u>155,400</u>
Issued and fully paid :-				
Ordinary shares of HK\$0.30 each				
Balance brought forward	399,998	119,999	393,251	117,975
New ordinary shares issued under scrip dividend scheme	—	—	18,260	5,478
Repurchases of shares	<u>(5,120)</u>	<u>(1,536)</u>	<u>(11,513)</u>	<u>(3,454)</u>
Balance carried forward	<u>394,878</u>	<u>118,463</u>	<u>399,998</u>	<u>119,999</u>

During the year ended 31st March, 2019, 18,260,477 new fully paid ordinary shares were issued and allotted at HK\$3.35 per ordinary share to the shareholders who elected to receive new ordinary shares in lieu of cash pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st March, 2018.

During the year ended 31st March, 2019, the Company repurchased a total of 11,513,500 ordinary shares on the Stock Exchange at an aggregate purchase price (excluding expenses) of HK\$42,404,220. Such repurchased shares were subsequently cancelled during the year ended 31st March, 2019 and on 16th April, 2019 respectively. Details of the ordinary shares repurchased on the Stock Exchange during the year ended 31st March, 2019 are as follows :-

Month of repurchase	Number of ordinary shares repurchased	Highest purchase price per ordinary shares HK\$	Lowest purchase price per ordinary share HK\$	Aggregate purchase price (excluding expenses) HK\$
August 2018	346,000	3.45	3.40	1,186,170
September 2018	1,543,500	3.51	3.41	5,323,755
October 2018	3,832,000	3.55	3.41	13,370,755
December 2018	3,989,000	3.88	3.79	15,452,435
January 2019	256,500	3.85	3.62	967,030
February 2019	641,500	3.90	3.76	2,479,135
March 2019	905,000	4.05	3.80	3,624,940

During the six months ended 30th September, 2019, the Company repurchased a total of 5,120,000 ordinary shares on the Stock Exchange at an aggregate purchase price (excluding expenses) of HK\$22,596,905 and such repurchased shares were subsequently cancelled during the reporting period and on 3rd October, 2019 and 17th October, 2019. Details of the ordinary shares repurchased on the Stock Exchange during the reporting period are as follows :-

Month of repurchase	Number of ordinary shares repurchased	Highest purchase price per ordinary shares HK\$	Lowest purchase price per ordinary share HK\$	Aggregate purchase price (excluding expenses) HK\$
July 2019	1,462,500	4.95	4.35	6,899,540
August 2019	1,393,000	4.50	4.13	5,966,755
September 2019	2,264,500	4.30	4.19	9,730,610

Subsequent to the end of the reporting period and up to the date of this announcement, the Company repurchased a total of 675,500 ordinary shares on the Stock Exchange at an aggregate purchase price (excluding expenses) of HK\$2,882,190. Such repurchased shares were subsequently cancelled on 1st November, 2019. Details of the ordinary shares repurchased after the end of the reporting period are as follows:-

Month of repurchase	Number of ordinary shares repurchased	Highest purchase price per ordinary shares HK\$	Lowest purchase price per ordinary share HK\$	Aggregate purchase price (excluding expenses) HK\$
October 2019	675,500	4.28	4.18	2,882,190

As a result of the above share repurchases, the issued share capital of the Company was accordingly reduced by the par value of the aforesaid repurchased ordinary shares which were cancelled during the reporting period and on 3rd October, 2019, 17th October, 2019 and 1st November, 2019. As at the date of this announcement, the number of issued shares of the Company is 394,202,808 ordinary shares.

The directors believe that the above share repurchases are in the best interests of the Company and its shareholders and that such shares repurchases would lead to an enhancement of the net assets value and / or earnings per share of the Company.

13. CAPITAL COMMITMENTS

Capital commitments outstanding at 30th September, 2019 not provided for in the consolidated financial statements were as follows :-

	30/9/2019	31/3/2019
	HK\$'000	HK\$'000
Contracted for	323	952
Authorised but not contracted for	<u>—</u>	<u>48</u>
	<u>323</u>	<u>1,000</u>

14. CONTINGENT LIABILITIES

At 30th September, 2019, the Company had the following contingent liabilities in respect of :-

- (a) Guarantees of HK\$933,527,000 (at 31st March, 2019 : HK\$1,003,455,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK\$96,831,000 (at 31st March, 2019 : HK\$112,233,000) at the end of the reporting period.
- (b) Guarantees given to licensors to guarantee the performance by certain subsidiary companies of obligations under certain agreements. The amount due under the agreements was HK\$1,791,000 (at 31st March, 2019 : HK\$15,273,000) at the end of the reporting period.

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. No provision was therefore made in this respect at 30th September, 2019 and 31st March, 2019.

15. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 on 1st April, 2019 using the full retrospective approach. Accordingly, the comparative figures have been restated as if the accounting requirements under HKFRS 16 had always been applied. Further details of the changes in accounting policies are disclosed in Note 1(b).

OTHER INFORMATION

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September, 2019, the Group had 997 (2018 : 1,393) employees. Total staff costs (including directors' emoluments) amounted to HK\$237.8 million (2018 : HK\$210.8 million). Remuneration policies are reviewed regularly by the Board and by the Remuneration Committee in respect of directors and senior management. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective countries and businesses in which the Group operates. Details of the share option scheme ("the Share Option Scheme") were disclosed in the Company's 2019 annual report ("the 2019 Annual Report"). No share options were granted or exercised under the Share Option Scheme during the period under review.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30th September, 2019, the Group's net cash generated from operating activities was HK\$838.2 million. It was utilised to finance HK\$527.1 million purchase of other financial assets, HK\$203.2 million lease rentals payment and HK\$107.7 million final dividend payment.

The Group's net liquid financial resources as at 30th September, 2019 stood at HK\$1,728.0 million, represented by cash and bank balances of HK\$2,319.4 million less short-term bank borrowings of HK\$591.4 million.

The Group also maintains substantial uncommitted short-term loan facilities with selected international banks for day-to-day requirements and funding flexibility. Utilisation of these facilities over and above prevailing levels during the second half of the current financial year is not anticipated given the Group's net cash position.

FOREIGN CURRENCY EXPOSURE AND FINANCIAL MANAGEMENT

Merchandise purchased by the Group is mainly denominated in United States Dollars, Euros, Pounds Sterling and Swiss Francs. Where appropriate, forward foreign exchange contracts are utilised to purchase the relevant currency to settle amounts due and it is the Group's policy that such foreign exchange contracts or foreign currency purchases are strictly limited to approved purchase budget amounts or actual purchase commitments.

Exposure to fluctuations in the exchange rate of regional currencies in respect of the Group's overseas operations is minimised by utilising local currency borrowings, where necessary, to fund working capital and capital expenditure requirements with repayment from funds generated from local sales.

Financial risk management for the Group is the responsibility of the treasury department based in Hong Kong which implements the policies and guidelines issued by the Board. Surplus cash is held mainly in United States Dollars, New Taiwan Dollars, Hong Kong Dollars and Renminbi with the majority placed on short-term deposits with established international banks.

As at 30th September, 2019, the Group's current ratio, being current assets divided by current liabilities, was 2.2 times compared to 2.6 times (restated) as at 31st March, 2019. The Group has maintained a net surplus cash position throughout the period under review and its gearing ratio, being total bank borrowings net of cash balances as a percentage of consolidated capital and reserves is Nil (as at 31st March, 2019 : Nil).

INTERIM DIVIDEND

In view of the results, the Board has resolved to declare an interim dividend of HK8 cents (2018 : HK8 cents) per ordinary share. The interim dividend represents a dividend payout ratio of 26.50 per cent. (2018 (restated) : 24.32 per cent.) and will absorb a total of about HK\$31.54 million (2018 : HK\$32.46 million). Shareholders whose names appear in the Register of Members of the Company on Friday, 3rd January, 2020 will be entitled to the interim dividend which will be paid on Friday, 17th January, 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed from Thursday, 2nd January, 2020 to Friday, 3rd January, 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 31st December, 2019.

SHARE PURCHASE, SALE AND REDEMPTION

Details of ordinary shares repurchased by the Company on the Stock Exchange during the period under review are set out in Note 12 on pages 20 and 21 of this announcement.

Save as disclosed in Note 12, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's ordinary shares during the period under review and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company recognises that corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and enhance shareholder value.

The Company has applied the principles and complied with all the code provisions of the Corporate Governance Code ("the CG Code") as set out in Appendix 14 of the Listing Rules throughout the period under review except code provision A.2.1 of the CG Code as the functions of the Chief Executive Officer are now performed by Sir Dickson Poon, the Group Executive Chairman.

Detailed information on the Company's other corporate governance practices was set out in the Corporate Governance Report included in the 2019 Annual Report.

REVIEW OF GROUP INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30th September, 2019 with the Board.

As at the date of this announcement, the Board comprises :-

Executive Directors:

Dickson Poon (*Group Executive Chairman*)
Chan Hon Chung, Johnny Pollux
Lau Yu Hee, Gary
Poon Dickson Pearson Guanda

Independent Non-Executive Directors:

Bhanusak Asvaintra
Nicholas Peter Etches
Fung Yue Ming, Eugene Michael

By Order of the Board
Or Suk Ying, Stella
Company Secretary

Hong Kong, 27th November, 2019

** For identification purposes only*