ASIA COMMERCIAL HOLDINGS LIMITED
冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

	Six months ended 30th September		
	2019	2018	**Change**
	HK$'000	*HK$'000*	*%*
	(unaudited)	(unaudited)	
Operations			
Revenue	**482,213**	411,410	**17**
Profit attributable to the owners of the Company	**21,303**	27,100	**(21)**
Earnings per share – Basic and diluted	**2.85 HK cents**	3.46 HK cents	**(18)**

	As at 30th September 2019	As at 31st March 2019	**Change**
	HK$ million	*HK$ million*	*%*
	(unaudited)	(audited)	
Financial position			
Total assets	**1,013**	816	**24**
Equity attributable to the owners of the Company	**511**	523	**(2)**

The Board of Directors (the "Board") of Asia Commercial Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2019 together with the comparative figures of the last corresponding period. The interim financial results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th September 2019

		Six months ended 30th September	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	4	**482,213**	411,410
Cost of sales		**(354,869)**	(284,693)
Gross profit		**127,344**	126,717
Other revenue		**10,272**	14,105
Distribution costs		**(85,039)**	(89,176)
Administrative expenses		**(26,910)**	(19,451)
Other income, net		**6,058**	63
Finance costs	5(a)	**(7,188)**	(236)
Profit before taxation	5	**24,537**	32,022
Income tax	6	**(3,800)**	(4,922)
Profit for the period		**20,737**	27,100
Attributable to:			
Equity shareholders of the Company		**21,303**	27,100
Non-controlling interests		**(566)**	–
		20,737	27,100
Earnings per share	7		
Basic and diluted (HK cents)		**2.85**	3.46

Note:

The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2019

	Six months ended 30th September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**20,737**	27,100
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income	**–**	684
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(6,315)**	(9,694)
Total other comprehensive loss for the period (net of nil tax)	**(6,315)**	(9,010)
Total comprehensive income for the period	**14,422**	18,090
Attributable to:		
Equity shareholders of the Company	**14,988**	18,090
Non-controlling interests	**(566)**	–
Total comprehensive income for the period	**14,422**	18,090

Note:

The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2019

	Note	**As at 30th September 2019** *HK$'000* **(unaudited)**	As at 31st March 2019 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**30,937**	25,539
Right-of-use assets		**196,692**	–
Prepaid lease payments		**–**	15,736
Investment properties		**356,742**	362,776
Rental deposits and prepayments		**18,093**	18,278
Equity instruments at fair value through other comprehensive income		**–**	9,063
Financial assets at fair value through profit or loss		**15,097**	15,097
Deferred tax assets		**2,418**	2,418
Deposits		**–**	10,770
Intangible asset – Trademark		**267**	–
Goodwill		**19,878**	–
		640,124	459,677
Current assets			
Inventories		**187,508**	196,517
Prepaid lease payments		**–**	467
Trade and other receivables	9	**102,022**	57,408
Trading securities		**446**	598
Structured deposits		**30,158**	31,568
Cash and cash equivalents		**53,138**	69,990
		373,272	356,548
Current liabilities			
Trade and other payables	10	**107,347**	122,415
Contract liabilities		**1,321**	1,404
Bank loans		**145,806**	130,741
Lease liabilities		**72,421**	–
Dividend payable		**19,126**	–
Current income tax payable		**4,651**	4,851
		350,672	259,411
Net current assets		**22,600**	97,137
Total assets less current liabilities		**662,724**	556,814

	Note	As at 30th September 2019 HK$'000 (unaudited)	As at 31st March 2019 HK$'000 (audited)
Non-current liabilities			
Rental deposits received and receipt in advance		**2,938**	3,111
Deferred tax liabilities		**25,009**	21,209
Lease liabilities		**124,102**	–
Other liabilities		**–**	9,397
		152,049	33,717
Net assets		**510,675**	523,097
Capital and reserves			
Share capital	11	**149,424**	149,424
Reserves		**361,388**	373,673
Total equity attributable to the owners of the Company		**510,812**	523,097
Non-controlling interests		**(137)**	–
Total equity		**510,675**	523,097

Note:

The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Notes:

1. GENERAL

The Group is principally engaged in trading of watches (retail and wholesale) and property leasing.

The Company is a limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda and Room 3901, 39th Floor, The Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong respectively.

The unaudited condensed interim financial statements are presented in thousand of units of Hong Kong dollars (HK$'000), unless otherwise stated, and have been approved for issue by the Board of Directors on 29th November 2019.

2. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the unaudited condensed interim financial statements in conformity with HKAS 34 requires management to make judgments, 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 be different from these estimates.

The accounting policies adopted in the preparation of the unaudited condensed interim financial statements are consistent with those used in the preparation of the Group's 2019 annual financial statements, except for the discounting policy changes that are expected to be reflected in the 2020 annual financial statements which are set out in note 3.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st April 2019 for the preparation of the Group's condensed consolidated financial statements.

- HKFRS 16, Leases
- HK(IFRIC) – Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendments, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2015–2017 Cycle

HKFRS 16 *Leases*

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

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

The Group has initially applied HKFRS 16 as from 1st April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

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

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

(ii) Lessee accounting

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

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

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

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

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

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40 "Investment Properties", to account for all of its leasehold properties that were held for investment purposes as at 30th September 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (iii) above, the Group does not lease out any other assets as the lessor of operating leases.

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 operating 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.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease 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.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1st April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1st April 2019. The incremental borrowing rates used for determination of the present value of the remaining lease payments were 4.26% and 5.46%.

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

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

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31st March 2019 as an alternative to performing an impairment review.

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

	1st April 2019 *HK$'000*
Operating lease commitments at 31st March 2019	256,986
Less: commitments relating to leases exempt from capitalisation:	
– Short-term lease and other leases with remaining lease term ending on or before 31st March 2020	(5,199)
Less: total future interest expenses	(17,593)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1st April 2019 (unaudited)	234,194
Total lease liabilities recognised at 1st April 2019 (unaudited)	234,194

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31st March 2019. There is no impact on the opening balance of equity.

The Group presents right-of-use assets and lease liabilities separately on the consolidated statement of financial position.

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

	Carrying amount at 31st March 2019	**Capitalisation of operating lease**	**Reclassification of prepaid lease payments**	**Carrying amount at 1st April 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(unaudited)	(unaudited)	(unaudited)
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Right-of-use assets	–	219,807	16,203	236,010
Prepaid lease payments	15,736	–	(15,736)	–
Total non-current assets	**459,677**	**219,807**	**467**	**679,951**
Prepaid lease payments	467	–	(467)	–
Total current assets	**356,548**	**–**	**(467)**	**356,081**
Lease liabilities (current)	–	70,699	–	70,699
Trade and other payables	122,415	(4,990)	–	117,425
Current liabilities	**259,411**	**65,709**	**–**	**325,120**
Net current assets	**97,137**	**(65,709)**	**(467)**	**30,961**
Total assets less current liabilities	**556,814**	**154,098**	**–**	**710,912**
Lease liabilities (non-current)	–	163,495	–	163,495
Other liabilities	9,397	(9,397)	–	–
Total non-current liabilities	**33,717**	**154,098**	**–**	**187,815**
Net assets	**523,097**	**–**	**–**	**523,097**

(d) Lease liabilities

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

	At 30th September 2019		At 1st April 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Within 1 year	72,421	79,860	70,699	79,983
After 1 year but within 2 years	73,690	77,655	75,136	80,947
After 2 years but within 5 years	50,412	51,288	88,359	90,857
After 5 years	–	–	–	–
	124,102	128,943	163,495	171,804
	196,523		234,194	
Less: total future interest expenses		(12,280)		(17,593)
Present value of lease liabilities		196,523		234,194

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

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

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

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30th September 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	Six months ended 30th September 2019				**Six months ended 30th Sept 2018**
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note 1) (C)**	**Hypothetical amounts for the six months ended 30th Sept 2019 as if under HKAS 17 (D=A+B-C)**	**Compared to amounts reported for the six months ended 30th Sept 2018 as if under HKAS 17**
	HK$'000 (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited)
Financial result for six months ended 30th September 2019 impacted by the adoption of HKFRS 16:					
Finance costs	(7,188)	4,994	–	(2,194)	(236)
Profit before taxation	**24,537**	**39,819**	**(35,997)**	**28,359**	**32,022**
Profit for the year	**20,737**	**39,819**	**(35,997)**	**24,559**	**27,100**
Reportable segment profit for six months ended 30th September 2019 (note 4) impacted by the adoption of HKFRS 16:					
Sales of watches	29,655	39,819	(35,997)	33,477	35,221
Total	**25,598**	**39,819**	**(35,997)**	**29,420**	**35,851**

4. REVENUE AND SEGMENT INFORMATION

The Group manages its business by divisions. In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the chief operating decision makers ("CODM") for the purposes of resource allocations and performance assessments. The Group has presented two reportable segments: (i) sale of watches (retail and wholesale) and (ii) properties leasing. No operating segments have been aggregated to form these two reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the annual financial statements for the year ended 31st March 2019. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs and corporate costs which cannot be meaningfully allocated to individual segment. This is the measure reported to the CODM for purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of profit or loss.

All assets are allocated to reportable segments other than deferred tax assets and other corporate assets.

All liabilities are allocated to reportable segments other than current income tax payables, deferred tax liabilities and borrowings not attributable to individual segments and other corporate liabilities.

The following is an analysis of the Group's revenue, results, assets and liabilities by operating segment for the periods:

	For the six months ended 30th September 2019 (unaudited)				
	Sale of watches	**Properties leasing**	**Segmental total**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by time of revenue recognition					
Point in time	**476,930**	**–**	**476,930**	**–**	**476,930**
Over time	**–**	**4,234**	**4,234**	**1,049**	**5,283**
External revenue *(Note)*	**476,930**	**4,234**	**481,164**	**1,049**	**482,213**
Operating profit/(loss)	**36,116**	**(4,057)**	**32,059**	**(6,974)**	**25,085**
Interest income	**582**	**–**	**582**	**–**	**582**
Other income, net	**145**	**–**	**145**	**5,913**	**6,058**
Finance costs	**(7,188)**	**–**	**(7,188)**	**–**	**(7,188)**
Segment results	**29,655**	**(4,057)**	**25,598**	**(1,061)**	**24,537**
Income tax					**(3,800)**
Profit for the period					**20,737**
Depreciation and amortisation	**2,809**	**381**	**3,190**	**120**	**3,310**

Note:

There were no inter-segment sales during the six months ended 30th September 2019.

	As at 30th September 2019 (unaudited)				
	Sale of watches	**Properties leasing**	**Segmental total**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**602,495**	**359,713**	**962,208**	**33,673**	**995,881**
Financial assets at fair value through other comprehensive income					**–**
Financial assets at fair value through profit or loss					**15,097**
Deferred tax assets					**2,418**
Total assets					**1,013,396**
Additions to non-current segment assets during the reporting period	**8,519**	**104**	**8,623**	**2,380**	**11,003**
Segment liabilities	**435,242**	**8,657**	**443,899**	**29,162**	**473,061**
Current tax payable					**4,651**
Deferred tax liabilities					**25,009**
Total liabilities					**502,721**

	For the six months ended 30th September 2018 (unaudited)				
	Sale of watches	Properties leasing	Segmental total	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by time of revenue recognition					
Point in time	406,985	–	406,985	–	406,985
Over time	–	4,425	4,425	–	4,425
External revenue *(Note)*	406,985	4,425	411,410	–	411,410
Operating profit/(loss)	34,680	630	35,310	(3,656)	31,654
Interest income	541	–	541	–	541
Other income/(loss), net	236	–	236	(173)	63
Finance costs	(236)	–	(236)	–	(236)
Segment results	35,221	630	35,851	(3,829)	32,022
Income tax					(4,922)
Profit for the period					27,100
Depreciation and amortisation	1,263	128	1,391	253	1,644

Note:

There were no inter-segment sales during the six months ended 30th September 2018.

	As at 31st March 2019 (audited)				
	Sale of watches	Properties leasing	Segmental total	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	406,821	366,407	773,228	16,419	789,647
Financial assets at fair value through other comprehensive income					9,063
Financial assets at fair value through profit or loss					15,097
Deferred tax assets					2,418
Total assets					816,225
Additions to non-current segment assets during the reporting period	8,952	76,990	85,942	–	85,942
Segment liabilities	254,746	8,772	263,518	3,550	267,068
Current tax payable					4,851
Deferred tax liabilities					21,209
Total liabilities					293,128

Geographic Information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets as specified below. The geographical location of customers is referred to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments, right-of-use asset, goodwill, investment properties and rental deposits and prepayments. The geographical locations of non-current assets are based on the physical location of the assets.

	Revenues from external customers		**Non-current assets**	
	Six months ended 30th September		**30th September**	31st March
	2019	2018	**2019**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
The People's Republic of China, excluding Hong Kong	**158,380**	139,506	**109,434**	63,000
Hong Kong (place of domicile)	**323,362**	271,427	**425,982**	279,142
United Kingdom	**–**	–	**71,621**	14,898
Switzerland	**471**	477	**15,133**	76,060
	482,213	411,410	**622,170**	433,100

Information about major customers

For the six months ended 30th September 2019, revenue of approximately HK$49,636,000 was derived from a single external customer who contributed more than 10% of total of the Group.

For the six months ended 30th September 2018, there was no single external customer who contributed more than 10% of total revenue of the Group.

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30th September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	**2,194**	236
Interest on lease liabilities	**4,994**	–
Interest on loans from a director	**–**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**7,188**	236

(b) Other items

	Six months ended 30th September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net exchange loss	**4,742**	2,165
Amortisation of prepaid lease payments	**–**	239
Depreciation charge		
– property, plant and equipment	**3,310**	1,405
– right-of-use assets	**35,053**	–
Reversal of write-down of inventories, net	**(1,281)**	(9,057)
Staff costs including directors' fees and emoluments	**30,463**	30,275
Cost of inventories recognised as expenses	**354,869**	284,693

6. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30th September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
PRC Corporate Income Tax		
– Charge for the period	**–**	–
Deferred tax		
Origination and reversal of temporary differences	**3,800**	4,922
	3,800	4,922

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2018: 16.5%). No Hong Kong Profits Tax has been provided for in the financial statements for the periods ended 30th September 2019 and 2018 either because the Hong Kong subsidiaries have accumulated tax losses brought forward which exceeded the estimated assessable profits or the Hong Kong subsidiaries sustained losses for taxation purpose.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the rate of 25% for the period ended 30th September 2019 (2018: 25%). No PRC income tax has been provided for in the financial statements for the periods ended 30th September 2019 and 2018 either because the PRC subsidiaries have accumulated tax losses brought forward which exceeded the estimated assessable profits or the PRC subsidiaries sustained losses for taxation purpose.

The subsidiaries in Switzerland are subject to Switzerland Profits Tax at the rate of 16% (2018: 16%). No Switzerland Profits Tax has been provided for the periods ended 30th September 2019 and 2018 as the Group has no estimated assessable profits in Switzerland.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$21,303,000 (2018: HK$27,100,000) and the weighted average number of 747,123,000 ordinary shares (2018 (restated): 783,433,000 ordinary shares) in issue during the period ended 30th September 2019.

(b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share for the six months ended 30th September 2019 and 2018.

The share options had no dilutive effect because the average market price of ordinary shares did not exceed the exercise price of the share options for the six months ended 30th September 2019 and 2018.

8. DIVIDENDS

	Six months ended 30th September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved but not paid during the reporting period of HK$0.0256 (2018: HK$0.0256) per share	**19,126**	20,056
Special dividend approved and paid during the reporting period of HK$Nil (2018: HK$0.0256) per share	**–**	20,056
	19,126	40,112

The final dividend and special dividend were the cash distributions out of contributed surplus after the capital reorganisation as disclosed in note 11.

The directors do not propose any payment of interim dividend for the period ended 30th September 2019 (2018: HK$ Nil).

9. TRADE AND OTHER RECEIVABLES

	As at 30th September 2019 *HK$'000* (unaudited)	As at 31st March 2019 *HK$'000* (audited)
Trade receivables		
– Third parties	**63,906**	35,985
– Related parties	**5,375**	5,866
	69,281	41,851
Other receivables		
– Third parties	**5,426**	3,610
– Related parties	**1,599**	2,164
	7,025	5,774
Financial assets measured at amortised cost	**76,306**	47,625
Deposits and prepayments	**25,716**	9,783
	102,022	57,408

(a) Aging Analysis

The Group allows credit period of up to 180 days to its customers. The aging analysis of trade receivables at the end of the reporting period based on invoice date and net of allowance of doubtful debts is as follows:

	As at 30th September 2019 *HK$'000* (unaudited)	As at 31st March 2019 *HK$'000* (audited)
Up to 90 days	**58,964**	34,712
91 to 180 days	**1,028**	1,374
181 to 365 days	**3,001**	122
Over 365 days	**6,288**	5,643
	69,281	41,851

10. TRADE AND OTHER PAYABLES

	As at 30th September 2019 *HK$'000* **(unaudited)**	As at 31st March 2019 *HK$'000* (audited)
Trade payables		
– Third parties	**19,117**	31,661
– Related parties	**–**	–
	19,117	31,661
Other payables and accrued charges	**34,648**	33,398
Accrued interest payable to a director	**160**	160
Financial liabilities measured at amortised cost	**53,925**	65,219
Rental received in advance	**110**	110
Deposits received	**1,534**	1,807
Other tax payable	**51,778**	55,279
	107,347	122,415

(a) Aging Analysis

The aging analysis of trade payables based on date of receipt of goods as at the end of the reporting period is as follows:

	As at 30th September 2019 *HK$'000* **(unaudited)**	As at 31st March 2019 *HK$'000* (audited)
Up to 90 days	**15,690**	28,284
91 to 180 days	**142**	6
181 to 365 days	**6**	–
Over 365 days	**3,279**	3,371
	19,117	31,661

11. SHARE CAPITAL

	Nominal value per share *HK$*	Number of shares *'000* (unaudited)	Amount *HK$'000* (unaudited)
Authorised:			
At 1st April 2018	0.2	2,500,000	500,000
Consolidation of shares		(1,250,000)	–
	0.4	1,250,000	500,000
Reduction of share capital		–	(250,000)
	0.2	1,250,000	250,000
Capital increase		1,250,000	250,000
At 31st March 2019, 1st April 2019 and 30th September 2019	0.2	2,500,000	500,000
Issued and fully paid:			
At 1st April 2018	0.2	1,566,866	313,373
Consolidation of shares		(783,433)	–
	0.4	783,433	313,373
Reduction of share capital		–	(156,686)
	0.2	783,433	156,687
Share repurchased	0.2	(36,310)	(7,263)
At 31st March 2019, 1st April 2019 and 30th September 2019	0.2	747,123	149,424

12. PLEDGE OF ASSETS

The assets pledged for certain banking facilities of the Group were as follows:

	As at 30th September 2019 *HK$'000* **(unaudited)**	As at 31st March 2019 *HK$'000* (audited)
Land and buildings	**11,583**	11,689
Investment properties	**228,480**	228,480
Inventories	**74,406**	80,741
	314,469	320,910

13. COMMITMENTS

At the reporting date, the Group had the following outstanding commitments.

Operating lease commitments – as lessor

The Group had total future minimum lease receivables under the non-cancellable operating leases with the tenants falling due as follows:

	As at 30th September 2019 *HK$'000* **(unaudited)**	As at 31st March 2019 *HK$'000* (audited)
Not later than one year	**6,814**	8,131
Later than one year and not later than five years	**15,689**	9,572
	22,503	17,703

Operating lease commitments – as lessee

At 31st March 2019, the Group had total future minimum lease payment under non-cancellable operating leases falling due as follows:

	As at 31st March 2019 *HK$'000* (audited)
Not later than one year	85,925
Later than one year and not later than five years	171,061
	256,986

14. CONTINGENT LIABILITIES

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

15. SEASONALITY OF OPERATION

The Group's business in sale of watches is subject to seasonal fluctuations, with higher sales amount in the first and fourth quarters of the calendar year. This is due to holiday periods. The Group's business in investment holding has no specific seasonality factor.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Review

For the six months ended 30th September 2019, the Group's consolidated revenue amounted to HK$482 million, representing an increase of 17% (2018: decrease of 16%) from HK$411 million in the same period of last year was mainly due to the increase in watches sales in Hong Kong. Sales for the reporting period in Hong Kong and China amounted to HK$323 million and HK$158 million, representing an increase of 19% and 14% respectively as compared with the corresponding period in last year. Gross profit margin decreased by 5% to 26% during this period was due to the provision for obsolete inventories in view of the decision to close a shop in China and terminate the business relationship with retailers of a brand owned by the Group in last year.

Distribution costs decreased by 5% to HK$85 million during this period were mainly attributable to the decrease in sales commission and entertainment expenses. Administrative expenses increased by 38% to HK$27 million during this period were mainly attributable to the increase in exchange loss and directors' remuneration. Finance costs increased to HK$7 million during this period because of the increase in borrowings and the interest on lease liabilities which was newly effective in this period.

The Group disposed the unlisted equity investment during the period with a profit of HK$6 million.

Liquidity and financial resources

As at 30th September 2019, the Group's total cash balance (including short-term deposits and structured deposits) amounted to HK$83 million (31st March 2019: HK$102 million). The amount was decreased as compared to that as of the year ended 31st March 2019 was mainly due to the payment of acquisition cost of new investment. Gearing ratio of the Group, expressed as a ratio of total borrowings over total equity, was 29% as at 30th September 2019 (31st March 2019: 25%).

Foreign exchange risks

The Group views its main currencies as Hong Kong dollars, Renminbi and Swiss Francs. The Group monitors its exposure to foreign exchange risks and, when it considers necessary and appropriate, will hedge its foreign exchange risks by using financial instruments.

Prospect

The Group achieved a net profit of HK$21 million in this period which was slightly decreased as compared with a profit of HK$27 million in the same period of last year.

The Group currently operates 6 stores in Hong Kong and China. The Group remained focus on its core stores and has streamlined their operating costs during the period and will continue to do so with a view to further enhance the cost efficiency of each store. While the overall sentiment in the luxury retail business in China remains stable, the recent situation in Hong Kong has some impact on the business in Hong Kong as it is mainly driven by tourist. Looking ahead, the Group will continue to monitor the situation and believes that the business in Hong Kong will regain its momentum in the near term.

Apart from the "Sale of watches" segment which continues to be the core business of the Group, the Group is also developing its business in the "Properties leasing" segment and acquired two renowned residential properties in London in last year.

In addition, with a view to further diversity the business of the Group, the Group has acquired a food manufacturing and retail business in August 2019.

The Group is determined to rebuild its financial strength and confidence to improve its business and take a cautious approach in its future expansion.

On behalf of the Group, we sincerely thank for the kind and positive support of our shareholders, customers, suppliers and associates.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices by emphasising a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company.

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the period ended 30th September 2019 except for the deviation from the code provisions A.4.1 and D.1.4 and those discussed below:

The Company was incorporated in Bermuda and enacted by private act, the Asia Commercial Holdings Limited Company Act, 1989 of Bermuda (the "1989 Act"). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the Bye-Laws.

As the Company is bound by the provision of the 1989 Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the Code. As such, a special resolution was passed at the special general meeting held on 28th March 2007 to amend the Bye-Laws of the Company so that, inter alia, (i) every director (save for a director holding office as Chairman or Managing Director) of the Company shall be subject to retirement by rotation at least once every three years; (ii) a director may be removed by an ordinary resolution in general meeting instead of a special resolution; (iii) any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office until the next following general meeting, instead of the next annual general meeting.

To enhance good corporate governance practices, Mr. Eav Yin, the Chairman of the Board has confirmed to the Board that he will voluntarily retire from his directorship at annual general meeting of the Company at least once every three years in order for the Company to comply with the Code, provided that being eligible for re-election, he may offer himself for re-election at the annual general meeting. The Chairman is Mr. Eav Yin while the function of the chief executive officer is divided between the remaining executive directors.

Code provision A.4.1 of the Code provides that non-executive director should be appointed for a specific term, subject to re-election.

During the period, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Company's Bye-Laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are not less exacting than those in the Code.

Code provision D.1.4 stipulates that directors should clearly understand delegation arrangements in place. The Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments.

The Company has not entered into any written letters of appointment with its Directors. However, the Board recognises that (i) the Directors have already been subject to the laws and regulations applicable to directors of a company listed on The Stock Exchange of Hong Kong Limited, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its shareholders; (ii) all of them are well established in their professions and (iii) the current arrangement has been adopted by the Company for several years and has proven to be effective. Therefore, the Board considers that the Directors are able to carry out their duties in a responsible and effective manner under the current arrangement.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

Compliance of the Model Code for Securities Transaction by Directors of Listed Issuers

The Company has adopted a code for securities transactions by Directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

All Directors have confirmed that they complied with the required standards set out in the Code of Conduct throughout the period under review.

Interim Dividend

The directors resolved not to declare an interim dividend in respect of the six months ended 30th September 2019 (2018: Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

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

Employees and Remuneration Policy

There were 149 employees in the Group as at 30th September 2019. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses and share awards are offered to motivate employees.

By order of the Board
Asia Commercial Holdings Limited
Cheng Ka Chung
Company Secretary

Hong Kong, 29th November 2019

As at the date of this announcement, the Board comprises Mr. Eav Yin (Chairman), Ms. Eav Guech Rosanna and Mr. Eav Feng Ming, Jonathan as executive directors, Mr. Lai Si Ming, Ms. Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent as independent non-executive directors.

* *For identification purpose only*