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## 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 2020

	Six months ended 30th September		Change %
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	
<b>Operations</b>			
Revenue	476,513	482,213	(1)
Profit attributable to the owners of the Company	40,109	21,303	88
Earnings per share – Basic and diluted	5.37 HK cents	2.85 HK cents	88
	As at 30th September 2020 HK\$ million (unaudited)	As at 31st March 2020 HK\$ million (audited)	Change %
	<b>Financial position</b>		
Total assets	825	807	2
Equity attributable to the owners of the Company	391	343	14

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 2020 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 2020*

		<b>Six months ended</b>	
		<b>30th September</b>	
	<i>Note</i>	<b>2020</b>	2019
		<b>HK\$’000</b>	HK\$’000
		<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>	4	<b>476,513</b>	482,213
Cost of sales		<u>(375,111)</u>	<u>(354,869)</u>
<b>Gross profit</b>		<b>101,402</b>	127,344
Other revenue		<b>4,279</b>	10,272
Distribution costs		<b>(54,928)</b>	(85,039)
Administrative expenses		<b>(18,567)</b>	(26,910)
Other income, net		<b>25,474</b>	6,058
Finance costs	5(a)	<u>(5,242)</u>	<u>(7,188)</u>
<b>Profit before taxation</b>	5	<b>52,418</b>	24,537
Income tax	6	<u>(13,136)</u>	<u>(3,800)</u>
<b>Profit for the period</b>		<u><b>39,282</b></u>	<u>20,737</u>
<b>Attributable to:</b>			
Owners of the Company		<b>40,109</b>	21,303
Non-controlling interests		<u>(827)</u>	<u>(566)</u>
		<u><b>39,282</b></u>	<u>20,737</u>
<b>Earnings per share</b>	7		
Basic and diluted (HK cents)		<u><b>5.37</b></u>	<u>2.85</u>

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

*For the six months ended 30th September 2020*

	<b>Six months ended 30th September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>39,282</b>	20,737
<b>Other comprehensive income for the period</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>7,213</u>	<u>(6,315)</u>
Total other comprehensive profit/(loss) for the period (net of nil tax)	<u>7,213</u>	<u>(6,315)</u>
<b>Total comprehensive income for the period</b>	<b><u>46,495</u></b>	<b><u>14,422</u></b>
<b>Attributable to:</b>		
Owners of the Company	<u>47,322</u>	14,988
Non-controlling interests	<u>(827)</u>	<u>(566)</u>
<b>Total comprehensive income for the period</b>	<b><u>46,495</u></b>	<b><u>14,422</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30th September 2020*

		As at <b>30th September</b> <b>2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31st March 2020 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		10,930	12,492
Right-of-use assets		84,120	93,827
Investment properties		344,080	343,772
Financial assets at fair value through profit or loss		14,133	14,133
Deferred tax assets		2,418	2,418
Deposits and prepayments		18,435	18,410
Intangible asset		348	276
Goodwill		–	–
		<b>474,464</b>	<b>485,328</b>
<b>Current assets</b>			
Inventories		167,879	195,992
Trade and other receivables	9	86,124	46,942
Trading securities		396	382
Income tax recoverable		12,021	9,016
Cash and cash equivalents		84,045	69,121
		<b>350,465</b>	<b>321,453</b>
<b>Current liabilities</b>			
Trade and other payables	10	109,082	98,587
Contract liabilities		1,746	1,224
Bank loans		163,171	161,403
Lease liabilities		69,970	77,425
Current income tax payable		16,752	4,875
		<b>360,721</b>	<b>343,514</b>
<b>Net current liabilities</b>		<b>(10,256)</b>	<b>(22,061)</b>
<b>Total assets less current liabilities</b>		<b>464,208</b>	<b>463,267</b>

		<b>As at 30th September 2020 HK\$'000 (unaudited)</b>	<b>As at 31st March 2020 HK\$'000 (audited)</b>
<b>Non-current liabilities</b>			
Rental deposits received and receipt in advance		2,459	2,355
Deferred tax liabilities		23,657	23,657
Lease liabilities		50,188	95,846
		<u>76,304</u>	<u>121,858</u>
<b>Net assets</b>		<u><b>387,904</b></u>	<u>341,409</u>
<b>Capital and reserves</b>			
Share capital	11	149,424	149,424
Reserves		241,382	194,060
		<u>390,806</u>	<u>343,484</u>
<b>Total equity attributable to the owners of the Company</b>		<b>390,806</b>	343,484
Non-controlling interests		<u>(2,902)</u>	<u>(2,075)</u>
<b>Total equity</b>		<u><b>387,904</b></u>	<u>341,409</u>

*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 25th November 2020.

## **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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements which are set out in note 3.

### **Going concern basis**

As at 30th September 2020, the Group had net current liabilities of approximately HK\$10,256,000 (31st March 2020: HK\$22,061,000).

These conditions, indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. To sustain the Group as a going concern and to monitor the Group’s liquidity and cash flows, the Group is implementing the following measures:

- negotiating with banks for renewal and obtaining new banking facilities;

- the directors of the Company have been taking various cost control measures to tighten the costs of operations; and
- the Group has been implementing various strategies to enhance the Group’s turnover.

The validity of the going concern assumption on which the condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors as described above.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

### **3. CHANGES IN ACCOUNTING POLICIES**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st April 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

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

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”.

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole. The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31st March 2021.

The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

#### **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 2020. 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 2020 (unaudited)				
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Disaggregated by time of revenue recognition					
Point in time	467,038	–	467,038	–	467,038
Over time	–	6,329	6,329	3,146	9,475
External revenue ( <i>Note</i> )	<u>467,038</u>	<u>6,329</u>	<u>473,367</u>	<u>3,146</u>	<u>476,513</u>
Operating profit/(loss)	41,138	246	41,384	(9,378)	32,006
Interest income	180	–	180	–	180
Other income, net	23,288	–	23,288	2,186	25,474
Finance costs	<u>(5,198)</u>	<u>–</u>	<u>(5,198)</u>	<u>(44)</u>	<u>(5,242)</u>
Segment results	<u>59,408</u>	<u>246</u>	<u>59,654</u>	<u>(7,236)</u>	<u>52,418</u>
Income tax expense					<u>(13,136)</u>
Profit for the period					<u>39,282</u>
Depreciation and amortisation	<u>17,651</u>	<u>383</u>	<u>18,034</u>	<u>1,132</u>	<u>19,166</u>

*Note:*

There were no inter-segment sales during the six months ended 30th September 2020.

**As at 30th September 2020 (unaudited)**

	<b>Sale of watches <i>HK\$'000</i></b>	<b>Properties leasing <i>HK\$'000</i></b>	<b>Segmental total <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Segment assets	<b>447,628</b>	<b>348,225</b>	<b>795,853</b>	<b>12,525</b>	<b>808,378</b>
Financial assets at fair value through profit or loss					14,133
Deferred tax assets					2,418
Total assets					<b>824,929</b>
Additions to non-current segment assets during the reporting period	<b>1,693</b>	<b>398</b>	<b>2,091</b>	<b>258</b>	<b>2,349</b>
Segment liabilities	<b>370,624</b>	<b>9,032</b>	<b>379,656</b>	<b>16,960</b>	<b>396,616</b>
Current income tax payable					16,752
Deferred tax liabilities					23,657
Total liabilities					<b>437,025</b>

For the six months ended 30th September 2019 (unaudited)

	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 ( <i>Note</i> )	<u>476,930</u>	<u>4,234</u>	<u>481,164</u>	<u>1,049</u>	<u>482,213</u>
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	<u>(7,188)</u>	<u>–</u>	<u>(7,188)</u>	<u>–</u>	<u>(7,188)</u>
Segment results	<u>29,655</u>	<u>(4,057)</u>	<u>25,598</u>	<u>(1,061)</u>	24,537
Income tax expense					<u>(3,800)</u>
Profit for the period					<u>20,737</u>
Depreciation and amortisation	<u>2,809</u>	<u>381</u>	<u>3,190</u>	<u>120</u>	<u>3,310</u>

*Note:*

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

As at 31st March 2020 (audited)

	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>428,738</u>	<u>327,136</u>	<u>755,874</u>	<u>34,356</u>	790,230
Financial assets at fair value through profit or loss					14,133
Deferred tax assets					<u>2,418</u>
Total assets					<u>806,781</u>
Additions to non-current segment assets during the reporting period	<u>247,631</u>	<u>209</u>	<u>247,840</u>	<u>26,489</u>	<u>274,329</u>
Segment liabilities	<u>415,111</u>	<u>8,822</u>	<u>423,933</u>	<u>12,907</u>	436,840
Current income tax payable					4,875
Deferred tax liabilities					<u>23,657</u>
Total liabilities					<u>465,372</u>

## Geographic Information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, right-of-use assets, investment properties and deposits and prepayments. The geographical location of customers is referred to the location at which the services were provided or the goods delivered. 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 2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	30th September 2020 HK\$'000 (unaudited)	31st March 2020 HK\$'000 (audited)
The People's Republic of China, excluding Hong Kong	423,956	158,380	100,974	107,864
Hong Kong (place of domicile)	51,900	323,362	272,557	278,516
United Kingdom	–	–	65,945	65,988
Switzerland	657	471	18,437	16,409
	<u>476,513</u>	<u>482,213</u>	<u>457,913</u>	<u>468,777</u>

## Information about major customers

For the six months ended 30th September 2020, revenue of approximately HK\$120,449,000 (the six months ended 30th September 2019: approximately HK\$49,636,000) was derived from a single external customer who contributed more than 10% of total of the Group.

## 5. PROFIT BEFORE TAXATION

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

### (a) Finance costs

	Six months ended 30th September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	1,982	2,194
Interest on lease liabilities	3,260	4,994
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>5,242</u>	<u>7,188</u>

(b) Other items

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange (gain)/loss	(374)	4,742
Depreciation charge		
– property, plant and equipment	4,109	3,310
– right-of-use assets	15,057	35,053
Reversal of write-down of inventories, net	(2,204)	(1,281)
Reversal of impairment loss of other receivables	(75)	–
Staff costs including directors' fees and emoluments	28,555	30,463
Cost of inventories recognised as expenses	375,111	354,869
Interest income on bank deposits	(180)	(582)
Gain on disposal of equity instruments at fair value through other comprehensive income	–	(6,050)
Loss on disposal of an investment property	100	–
Gain on lease modification	(23,177)	(1,256)
	<u>(374)</u>	<u>4,742</u>

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

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
PRC Corporate Income Tax		
– Charge for the period	13,136	–
Deferred tax		
Origination and reversal of temporary differences	–	3,800
	<u>13,136</u>	<u>3,800</u>

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2019: 16.5%). No Hong Kong Profits Tax has been provided for in the financial statements for the six months ended 30th September 2020 and 2019 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 six months ended 30th September 2020 (2019: 25%). No PRC income tax has been provided for in the financial statements for the six months ended 30th September 2019 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% (2019: 16%). No Switzerland Profits Tax has been provided for the six months ended 30th September 2020 and 2019 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\$40,109,000 (2019: HK\$21,303,000) and the weighted average number of 747,123,000 ordinary shares (2019: 747,123,000 ordinary shares) in issue during the six months ended 30th September 2020.

### (b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share for the six months ended 30th September 2020 and 2019.

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 2020 and 2019.

## 8. DIVIDENDS

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Final dividend in respect of the previous financial year, approved but not paid during the reporting period of HK\$Nil (2019: HK\$0.0256) per share	—	19,126
	<u>—</u>	<u>19,126</u>
	<u>—</u>	<u>19,126</u>

The directors do not propose any payment of interim dividend for the six months ended 30th September 2020 (2019: HK\$ Nil).

## 9. TRADE AND OTHER RECEIVABLES

	As at 30th September 2020 <i>HK\$'000</i> (unaudited)	As at 31st March 2020 <i>HK\$'000</i> (audited)
Trade receivables, net of loss allowance		
– Third parties	56,213	24,519
– Related parties	7,141	6,705
	<u>63,354</u>	<u>31,224</u>
Other receivables		
– Third parties	7,063	4,533
– Related parties	1,146	1,037
	<u>8,209</u>	<u>5,570</u>
Financial assets measured at amortised cost	71,563	36,794
Deposits and prepayments	32,996	28,558
	<u>104,559</u>	<u>65,352</u>
Analysed as:		
Non-current	18,435	18,410
Current	86,124	46,942
	<u>104,559</u>	<u>65,352</u>

### (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 loss allowance is as follows:

	As at 30th September 2020 <i>HK\$'000</i> (unaudited)	As at 31st March 2020 <i>HK\$'000</i> (audited)
Up to 90 days	54,204	13,561
91 to 180 days	346	8,214
181 to 365 days	2,068	1,987
Over 365 days	6,736	7,462
	<u>63,354</u>	<u>31,224</u>



## 10. TRADE AND OTHER PAYABLES

	As at 30th September 2020 <i>HK\$'000</i> (unaudited)	As at 31st March 2020 <i>HK\$'000</i> (audited)
Trade payables		
– Third parties	7,638	8,672
– Related parties	46	–
	<u>7,684</u>	<u>8,672</u>
Other payables and accrued charges	42,215	36,274
Financial liabilities measured at amortised cost	49,899	44,946
Rental received in advance	93	94
Deposits received	4,090	3,344
Other tax payable	55,000	50,203
	<u>109,082</u>	<u>98,587</u>

### (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 2020 <i>HK\$'000</i> (unaudited)	As at 31st March 2020 <i>HK\$'000</i> (audited)
Up to 90 days	4,191	5,321
91 to 180 days	62	127
181 to 365 days	86	–
Over 365 days	3,345	3,224
	<u>7,684</u>	<u>8,672</u>

## 11. SHARE CAPITAL

	<b>Nominal value per share <i>HK\$</i></b>	<b>Number of shares '000 (unaudited)</b>	<b>Amount <i>HK\$'000</i> (unaudited)</b>
Authorised:			
At 1st April 2019, 31st March 2020, 1st April 2020 and 30th September 2020	0.2	2,500,000	500,000
	<u>0.2</u>	<u>2,500,000</u>	<u>500,000</u>
Issued and fully paid:			
At 1st April 2019, 31st March 2020, 1st April 2020 and 30th September 2020	0.2	747,123	149,424
	<u>0.2</u>	<u>747,123</u>	<u>149,424</u>

## 12. PLEDGE OF ASSETS

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

	<b>As at 30th September 2020 <i>HK\$'000</i> (unaudited)</b>	<b>As at 31st March 2020 <i>HK\$'000</i> (audited)</b>
Land and buildings	11,372	11,478
Investment properties	249,368	222,080
Inventories	55,100	62,135
	<u>315,840</u>	<u>295,693</u>

### 13. COMMITMENTS

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

#### (a) Capital commitments

Signification capital expenditure contracted for at the end of the reporting period but not recognised as liabilities as follows:

	As at 30th September 2020 HK\$'000 (unaudited)	As at 31st March 2020 HK\$'000 (audited)
Contracted for:		
Construction work for properties	<u>9,093</u>	<u>–</u>

#### (b) 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 2020 HK\$'000 (unaudited)	As at 31st March 2020 HK\$'000 (audited)
Not later than one year	13,311	12,618
Later than one year and not later than five years	26,679	30,758
Over five years	<u>2,303</u>	<u>4,259</u>
	<u>42,293</u>	<u>47,635</u>

### 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 2020, the Group's consolidated revenue amounted to HK\$476 million, representing a minor drop of 1% (2019: increase of 17%) from HK\$482 million in the same period of last year was mainly due to the substantial drop in watches sales in Hong Kong which was mostly offset by the remarkable increase in watches sales in China. Sales for the reporting period in Hong Kong and China amounted to HK\$52 million and HK\$424 million, representing a decrease of 84% and an increase of 168% respectively as compared with the corresponding period in last year. Gross profit margin decreased by 5% to 21% during this period was due to the decrease in the proportion of the sales in Hong Kong which had a higher gross profit margin.

Distribution costs decreased by 35% to HK\$55 million during this period were mainly attributable to the substantial decrease in amortization charges for right-of-use assets as a core right-of-use asset had been fully impaired in the second half of last year. In addition, there was a minor decrease in entertainment expenses as well. Administrative expenses decreased by 31% to HK\$19 million during this period were mainly attributable to the decrease in exchange loss. Finance costs decreased to HK\$5 million during this period because of the decrease in interest on lease liabilities.

Other income amounting to HK\$25 million during this period as compared with that from the same period of last year of HK\$6 million. The amount this year mainly comprised an one-off gain of HK\$23 million due to the reassessment of the lease liability upon rental reduction for some stores. The amount in last year represented the gain from the disposal of the unlisted equity investment.

The Group achieved a net profit of HK\$40 million in this period as compared with a net profit of HK\$21 million in the same period of last year. Excluding the one-off gain of HK\$23 million due to the reassessment of the lease liability upon rental reduction for some stores, the net profit for this period was HK\$17 million which was a little worse than the one of last period at HK\$21 million as explained above.

### ***Liquidity and financial resources***

As at 30th September 2020, the Group's total cash balance amounted to HK\$84 million (31st March 2020: HK\$69 million). The increase was mainly due to the increase in operating cashflow during the period. Gearing ratio of the Group, expressed as a ratio of total borrowings over total equity, was 42% as at 30th September 2020 (31st March 2020: 47%).

### ***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 currently operates 8 stores in Hong Kong and China. The Group remained focus on its core stores and has streamlined their operating costs in particular some short-term and long-term rental reductions in view of the COVID-19 pandemic during the period. The Group will continue to do so with a view to further enhance the cost efficiency of each store. While the business in China has rebounded from the pandemic, the business in Hong Kong remained stagnant as it is mainly driven by tourist. Further to the annual results announcement for the year ended 31st March 2020 dated 29th June 2020, the Group was informed by a major supplier to its retail store in Hong Kong that the supply will be terminated after the extension to 28th February 2021. Looking ahead, the Group will continue to monitor the situation and believes that it is still a big challenge for the Group 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 previous year.

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 2020 except for the deviation from the code provisions A.2.1, A.4.1, D.1.4 and those discussed below:

In respect of Code Provision A.2.1 of the Code, since the deceased of Mr. Eav Yin as the Chairman on 7th September 2020, the position of the Chairman has been vacant and has not been filled up as at the date of this announcement while the function of the chief executive officer is divided between the remaining executive directors. The Board of the Company as a whole and the executive directors have discharged the duties of the Chairman. The Board and the Nomination Committee of the Company will continuously review and discuss the adjustment to the composition of the Board.

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, the Chairman of the Board 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.

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.

Except for the newly appointment of Mr. Kee Wah Sze as independent non-executive director of the Company in August 2020, 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 2020 (2019: 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 2020.

## **Employees and Remuneration Policy**

There were 152 employees in the Group as at 30th September 2020. 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, 25th November 2020

*As at the date of this announcement, the Board comprises Ms. Eav Xin Qi Rosanna and Mr. Eav Feng Ming, Jonathan as executive directors, Mr. Lai Si Ming, Mr. Lee Tat Cheung, Vincent and Mr. Kee Wah Sze as independent non-executive directors.*

\* *For identification purpose only*