

## FINANCIAL HIGHLIGHTS

|   | Six months ended<br>30th September<br>2017                            |  | 2016        | Change              |
|---|---|--|-------------|---------------------|
|   | HK\$'000  | HK\$'000   | HK\$'000    | %                   |
|   | (unaudited)   | (unaudited)  | (unaudited) |                     |
| <b>Operations</b>                                   |   |  |             |                     |
| Revenue   | <b>490,775</b>  | 406,994  |             | <b>21</b>           |
| Profit attributable to<br>the owners of the Company | <b>3,689</b>  | 2,436  |             | <b>51</b>           |
| Earnings per share<br>– Basic and diluted           | <b>0.24 HK cents</b>  | 0.16 HK cents  |             | <b>50</b>           |
|   | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |             | <b>Change<br/>%</b> |
| <b>Financial position</b>                           |   |  |             |                     |
| Total assets  | <b>649,000</b>  | 688,000  |             | <b>(6)</b>          |
| Equity attributable to the owners<br>of the Company | <b>440,000</b>  | 430,000  |             | <b>2</b>            |

The Board of Directors (the “Board”) of Asia Commercial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2017 together with the comparative figures of the last corresponding period. The interim financial report have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th September 2017

|  | Notes | <b>Six months ended</b> |             |
|--|-------|-------------------------|-------------|
|  |       | <b>30th September</b>   |             |
|  |       | <b>2017</b>             | 2016        |
|  |       | <b>HK\$'000</b>         | HK\$'000    |
|  |       | <b>(unaudited)</b>      | (unaudited) |
| <b>Revenue</b>   | 4     | <b>490,775</b>          | 406,994     |
| Cost of sales  |       | <b>(398,191)</b>        | (312,066)   |
| <b>Gross profit</b>  |       | <b>92,584</b>           | 94,928      |
| Other revenue  |       | <b>10,445</b>           | 13,680      |
| Distribution costs   |       | <b>(81,393)</b>         | (91,718)    |
| Administrative expenses  |       | <b>(14,061)</b>         | (13,469)    |
| Other (loss)/income, net   |       | <b>(2,347)</b>          | 1,262       |
| Finance costs  | 5(a)  | <b>(1,539)</b>          | (2,224)     |
| <b>Profit before taxation</b>  | 5     | <b>3,689</b>            | 2,459       |
| Income tax   | 6     | <b>-</b>                | (23)        |
| <b>Profit for the period attributable to the owners of the Company</b> |       | <b>3,689</b>            | 2,436       |
| <b>Earnings per share</b>  | 7     |                         |             |
| Basic and diluted (HK cents)   |       | <b>0.24</b>             | 0.16        |

The notes on pages 8 to 29 form part of these unaudited interim financial statements.

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

For the six months ended 30th September 2017

|  | <b>Six months ended</b> |             |
|--|-------------------------|-------------|
|  | <b>30th September</b>   |             |
|  | <b>2017</b>             | 2016        |
|  | <b>HK\$'000</b>         | HK\$'000    |
|  | <b>(unaudited)</b>      | (unaudited) |
| <b>Profit for the period</b>   | <b>3,689</b>            | 2,436       |
| <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       | <b>6,300</b>            | (2,324)     |
| Total other comprehensive income/(loss) for the period (net of nil tax)                    | <b>6,300</b>            | (2,324)     |
| <b>Total comprehensive income for the period attributable to the owners of the Company</b> | <b>9,989</b>            | 112         |

The notes on pages 8 to 29 form part of these unaudited interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2017

|  | Note | As at<br>30th September<br>2017<br>HK\$'000<br>(unaudited) | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|--|------|--|--|
| <b>Non-current assets</b>                    |      |  |  |
| Property, plant and equipment                | 12   | 18,892   | 20,135   |
| Prepaid lease payments                       |      | 16,505   | 16,084   |
| Investment properties                        |      | 279,931  | 278,176  |
| Available-for-sale investments               |      | 7,500  | 7,500  |
| Rental deposits and prepayments              |      | 22,150   | 20,853   |
|  |      | <b>344,978</b>   | 342,748  |
| <b>Current assets</b>                        |      |  |  |
| Inventories                                  |      | 204,656  | 280,963  |
| Prepaid lease payments                       |      | 470  | 451  |
| Trade and other receivables                  | 9    | 35,797   | 36,652   |
| Trading securities                           |      | 861  | 703  |
| Cash and cash equivalents                    |      | 61,907   | 26,229   |
|  |      | <b>303,691</b>   | 344,998  |
| <b>Current liabilities</b>                   |      |  |  |
| Trade and other payables                     | 10   | 117,915  | 113,808  |
| Bank loans                                   |      | 58,491   | 102,265  |
| Loans from a director                        |      | –  | 8,000  |
| Current tax payable                          |      | 3,423  | 3,345  |
|  |      | <b>179,829</b>   | 227,418  |
| <b>Net current assets</b>                    |      | <b>123,862</b>   | 117,580  |
| <b>Total assets less current liabilities</b> |      | <b>468,840</b>   | 460,328  |
| <b>Non-current liabilities</b>               |      |  |  |
| Rental received in advance                   |      | 2,844  | 2,683  |
| Deferred tax liabilities                     |      | 13,309   | 13,309   |
| Other liabilities                            |      | 12,866   | 14,504   |
|  |      | <b>29,019</b>  | 30,496   |
| <b>Net assets</b>                            |      | <b>439,821</b>   | 429,832  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30th September 2017

|   | Note | As at<br>30th September<br>2017<br>HK\$'000<br>(unaudited) | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|---|------|--|--|
| <b>Capital and reserves</b>                                 |      |  |  |
| Share capital   | 11   | <b>313,373</b>   | 313,373  |
| Reserves  |      | <b>126,448</b>   | 116,459  |
| <b>Equity attributable to the<br/>owners of the Company</b> |      | <b>439,821</b>   | 429,832  |

The notes on pages 8 to 29 form part of these unaudited interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
– UNAUDITED**

For the six months ended 30th September 2017

|  | Attributable to owners of the Company |                           |                                 |                              |                             |                                 |                                  |                                |                                | Sub-total<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------------------------|---------------------------|---------------------------------|------------------------------|-----------------------------|---------------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------|-------------------|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Revaluation reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Capital reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Share option reserve<br>HK\$'000 | Fair value reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 |                       |                   |
| At 1st April 2016  | 313,373                               | 143,310                   | 61,371                          | 41,801                       | 252,381                     | 17,524                          | 16,688                           | 2,528                          | (443,201)                      | 92,402                | 405,775           |
| Total comprehensive income/<br>(loss) for the period                           | -                                     | -                         | -                               | (2,324)                      | -                           | -                               | -                                | -                              | 2,436                          | 112                   | 112               |
| Transfer to accumulated<br>losses upon forfeiture of<br>share options          | -                                     | -                         | -                               | -                            | -                           | -                               | (2,095)                          | -                              | 2,095                          | -                     | -                 |
| At 30th September 2016   | 313,373                               | 143,310                   | 61,371                          | 39,477                       | 252,381                     | 17,524                          | 14,593                           | 2,528                          | (438,670)                      | 92,514                | 405,887           |
| <b>At 1st April 2017</b>   | <b>313,373</b>                        | <b>143,310</b>            | <b>61,371</b>                   | <b>34,924</b>                | <b>252,381</b>              | <b>17,524</b>                   | <b>14,061</b>                    | <b>2,358</b>                   | <b>(409,470)</b>               | <b>116,459</b>        | <b>429,832</b>    |
| <b>Total comprehensive<br/>income for the period</b>                           | -                                     | -                         | -                               | <b>6,300</b>                 | -                           | -                               | -                                | -                              | <b>3,689</b>                   | <b>9,989</b>          | <b>9,989</b>      |
| <b>Transfer to accumulated<br/>losses upon forfeiture<br/>of share options</b> | -                                     | -                         | -                               | -                            | -                           | -                               | <b>(249)</b>                     | -                              | <b>249</b>                     | -                     | -                 |
| <b>At 30th September 2017</b>  | <b>313,373</b>                        | <b>143,310</b>            | <b>61,371</b>                   | <b>41,224</b>                | <b>252,381</b>              | <b>17,524</b>                   | <b>13,812</b>                    | <b>2,358</b>                   | <b>(405,532)</b>               | <b>126,448</b>        | <b>439,821</b>    |

The notes on pages 8 to 29 form part of these unaudited interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2017

|   | <b>Six months ended<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | 2016<br>HK\$'000<br>(unaudited) |
|---|--|---------------------------------|
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>             | <b>89,607</b>  | 7,967                           |
| <b>INVESTING ACTIVITIES</b>                                     |  |                                 |
| Payment for purchase of property, plant and equipment           | <b>(564)</b>   | (315)                           |
| Bank interest income received                                   | <b>97</b>  | 41                              |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                    | <b>(467)</b>   | (274)                           |
| <b>FINANCING ACTIVITIES</b>                                     |  |                                 |
| Proceeds from new bank loans                                    | <b>78,184</b>  | 85,430                          |
| Repayment of bank loans   | <b>(122,549)</b>   | (43,128)                        |
| Interest paid on bank loans                                     | <b>(1,490)</b>   | (1,233)                         |
| Interest paid on loans from a director                          | <b>-</b>   | (1,211)                         |
| Repayment of loans from a director                              | <b>(8,000)</b>   | (39,000)                        |
| <b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>   | <b>(53,855)</b>  | 858                             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                | <b>35,285</b>  | 8,551                           |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b> | <b>26,229</b>  | 33,332                          |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET</b>             | <b>393</b>   | (650)                           |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>       | <b>61,907</b>  | 41,233                          |
| <b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>    |  |                                 |
| Cash at bank and on hand  | <b>61,907</b>  | 41,233                          |

The notes on pages 8 to 29 form part of these unaudited interim financial statements.

## NOTES TO THE INTERIM FINANCIAL REPORT

### 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 registered office and principal place of business of the Company are situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and 19th Floor, 9 Des Voeux Road West, 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 21st November 2017.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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”) and HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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 annual financial statements for the year ended 31st March 2017, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as noted below:

|                      |   |
|----------------------|---|
| HKAS 7 (Amendments)  | Disclosure Initiative   |
| HKAS 12 (Amendments) | Recognition of Deferred Tax Assets for Unrealised Losses                        |
| Amendments to HKFRSs | Amendments to HKFRS 12 included in Annual Improvements to HKFRS 2014-2016 Cycle |

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



## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

|                       |  |
|-----------------------|--|
| HKFRS 9               | Financial Instruments <sup>1</sup>   |
| HKFRS 15              | Revenue from Contracts with Customers <sup>1</sup>                                 |
| HKFRS 16              | Leases <sup>2</sup>  |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transaction <sup>1</sup>     |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs, 2014-2016 Cycle                                     |
| Amendments to HKAS 40 | Transfer of Investment Property <sup>1</sup>                                       |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contract <sup>1</sup> |
| HK (IFRIC)-Int 22     | Foreign Currency Transactions and Advance Consideration <sup>1</sup>               |
| HK (IFRIC)-Int 23     | Uncertainty over Income Tax Treatment <sup>2</sup>                                 |

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1st January 2019.

#### HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash payments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and these lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The directors of the Company will assess the impact of application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detail review.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material effect on the Group's consolidated financial statements.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st March 2017.

There have been no changes in the risk management policies since year end.

#### (a) Fair value measurements recognised in the statement of financial position

##### *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including available-for-sale investments and trading securities which are categorised into Level 2 and Level 1 of the fair value hierarchy, respectively. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

#### (a) Fair value measurements recognised in the statement of financial position (Continued)

|  | 30/9/2017   |   |   |                   | 31/3/2017   |   |   |                   |
|--|---|---|---|-------------------|---|---|---|-------------------|
|  | Quoted prices in active markets (Level 1)<br>HK\$'000 | Significant observable inputs (Level 2)<br>HK\$'000 | Significant unobservable inputs (Level 3)<br>HK\$'000 | Total<br>HK\$'000 | Quoted prices in active markets (Level 1)<br>HK\$'000 | Significant observable inputs (Level 2)<br>HK\$'000 | Significant unobservable inputs (Level 3)<br>HK\$'000 | Total<br>HK\$'000 |
| <b>Recurring fair value measurements</b> |   |   |   |                   |   |   |   |                   |
| <b>Assets</b>                            |   |   |   |                   |   |   |   |                   |
| Available-for-sale investments           | -   | 6,550   | -   | 6,550             | -   | 6,550   | -   | 6,550             |
| Trading securities                       | 861   | -   | -   | 861               | 703   | -   | -   | 703               |
| <b>Total</b>                             | <b>861</b>  | <b>6,550</b>  | <b>-</b>  | <b>7,411</b>      | <b>703</b>  | <b>6,550</b>  | <b>-</b>  | <b>7,253</b>      |

There were no transfers between in Level 1 and Level 2, or transfers into or out of Level 3 during the period. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

There were no other changes in valuation techniques during the period.

The carrying amount of the Group's financial instruments carried at cost or amortised cost such as cash and cash equivalents, trade and other receivables, trade and other payables and bank and other borrowings are not materially different from their fair values as at 30th September 2017 and 31st March 2017 because of the immediate or short term maturity of these financial instruments.

#### (b) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values financial instruments.

##### i) Trading securities

Fair value is based on closing bid price quoted in an active market at the end of the reporting period without any deduction for transaction costs.

##### ii) Available-for-sale investments

Fair value is determined by reference to the bid price quoted in the second hand market without any deduction for transaction costs.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 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 2017. 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 consolidated statement of profit or loss.

All assets are allocated to reportable segments other than available-for-sale investments and other corporate assets.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

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:

| <b>For the six months ended 30th September 2017 (unaudited)</b> |   |  |   |                                 |                           |
|---|---|--|---|---------------------------------|---------------------------|
|   | <b>Sale of<br/>watches<br/>HK\$'000</b> | <b>Properties<br/>leasing<br/>HK\$'000</b> | <b>Segmental<br/>total<br/>HK\$'000</b> | <b>Unallocated<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
| External revenue (Note)   | <b>486,446</b>                          | <b>4,329</b>                               | <b>490,775</b>                          | -                               | <b>490,775</b>            |
| Operating profit/(loss)   | <b>6,095</b>                            | <b>4,037</b>                               | <b>10,132</b>                           | <b>(2,654)</b>                  | <b>7,478</b>              |
| Interest income   | <b>97</b>                               | -  | <b>97</b>                               | -                               | <b>97</b>                 |
| Other (loss)/income, net  | <b>(2,407)</b>                          | -  | <b>(2,407)</b>                          | <b>60</b>                       | <b>(2,347)</b>            |
| Finance costs   | <b>(1,539)</b>                          | -  | <b>(1,539)</b>                          | -                               | <b>(1,539)</b>            |
| Segment results   | <b>2,246</b>                            | <b>4,037</b>                               | <b>6,283</b>                            | <b>(2,594)</b>                  | <b>3,689</b>              |
| Income tax  |   |  |   |                                 | -                         |
| Profit for the period   |   |  |   |                                 | <b>3,689</b>              |
| Depreciation and amortisation                                   | <b>(1,936)</b>                          | <b>(292)</b>                               | <b>(2,228)</b>                          | -                               | <b>(2,228)</b>            |

Note:

There were no inter-segment sales during the six months ended 30th September 2017.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

|   | As at 30th September 2017 (unaudited) |                                   |                                |                         |                   |
|---|---------------------------------------|-----------------------------------|--------------------------------|-------------------------|-------------------|
|   | Sale of<br>watches<br>HK\$'000        | Properties<br>leasing<br>HK\$'000 | Segmental<br>total<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
| Segment assets  | <u>356,598</u>                        | <u>281,632</u>                    | <u>638,230</u>                 | <u>2,939</u>            | <u>641,169</u>    |
| Available-for-sale investments  |                                       |                                   |                                |                         | <u>7,500</u>      |
| Total assets  |                                       |                                   |                                |                         | <u>648,669</u>    |
| Additions to non-current<br>segment assets during<br>the reporting period | <u>607</u>                            | <u>-</u>                          | <u>607</u>                     | <u>-</u>                | <u>607</u>        |
| Segment liabilities   | <u>180,326</u>                        | <u>8,926</u>                      | <u>189,252</u>                 | <u>2,864</u>            | <u>192,116</u>    |
| Current tax payable   |                                       |                                   |                                |                         | <u>3,423</u>      |
| Deferred tax liabilities  |                                       |                                   |                                |                         | <u>13,309</u>     |
| Total liabilities   |                                       |                                   |                                |                         | <u>208,848</u>    |

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

|                                  | For the six months ended 30th September 2016 (unaudited) |                                   |                                |                         |                   |
|----------------------------------|--|-----------------------------------|--------------------------------|-------------------------|-------------------|
|                                  | Sale of<br>watches<br>HK\$'000                           | Properties<br>leasing<br>HK\$'000 | Segmental<br>total<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
| External revenue (Note)          | 403,128  | 3,866                             | 406,994                        | –                       | 406,994           |
| Operating profit/(loss)          | 6,484  | 1,200                             | 7,684                          | (4,304)                 | 3,380             |
| Interest income                  | 41   | –                                 | 41                             | –                       | 41                |
| Other income/(loss), net         | 1,328  | –                                 | 1,328                          | (66)                    | 1,262             |
| Finance costs                    | (2,224)  | –                                 | (2,224)                        | –                       | (2,224)           |
| Segment results                  | 5,629  | 1,200                             | 6,829                          | (4,370)                 | 2,459             |
| Income tax                       |  |                                   |                                |                         | (23)              |
| Profit for the period            |  |                                   |                                |                         | 2,436             |
| Depreciation and<br>amortisation | (3,234)  | (130)                             | (3,364)                        | –                       | (3,364)           |

*Note:*

There were no inter-segment sales during the six months ended 30th September 2016.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

|   | As at 31st March 2017 (audited)       |  |                                       |                                |                          |
|---|---------------------------------------|--|---------------------------------------|--------------------------------|--------------------------|
|   | Sale of<br>watches<br><i>HK\$'000</i> | Properties<br>leasing<br><i>HK\$'000</i> | Segmental<br>total<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Segment assets  | <u>394,848</u>                        | <u>279,410</u>                           | <u>674,258</u>                        | <u>5,988</u>                   | 680,246                  |
| Available-for-sale<br>investments   |                                       |  |                                       |                                | <u>7,500</u>             |
| Total assets  |                                       |  |                                       |                                | <u>687,746</u>           |
| Additions to non-current<br>segment assets during<br>the reporting period | <u>3,013</u>                          | <u>7</u>                                 | <u>3,020</u>                          | <u>1,788</u>                   | <u>4,808</u>             |
| Segment liabilities   | <u>229,149</u>                        | <u>8,638</u>                             | <u>237,787</u>                        | <u>3,473</u>                   | 241,260                  |
| Current tax payable   |                                       |  |                                       |                                | 3,345                    |
| Deferred tax liabilities  |                                       |  |                                       |                                | <u>13,309</u>            |
| Total liabilities   |                                       |  |                                       |                                | <u>257,914</u>           |



## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### 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, 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<br>external customers |             | Non-current assets |           |
|--|-------------------------------------|-------------|--------------------|-----------|
|  | Six months ended                    |             | 30th               |           |
|  | 30th September                      |             | September          |           |
|  | 2017                                | 2016        | 2017               | 31st      |
|  | HK\$'000                            | HK\$'000    | HK\$'000           | March     |
|  | (unaudited)                         | (unaudited) | (unaudited)        | 2017      |
|  |                                     |             |                    | HK\$'000  |
|  |                                     |             |                    | (audited) |
| The People's Republic of China,<br>excluding Hong Kong | <b>187,923</b>                      | 185,294     | <b>63,280</b>      | 62,457    |
| Hong Kong (place of domicile)                          | <b>302,359</b>                      | 221,058     | <b>261,175</b>     | 260,233   |
| Switzerland  | <b>493</b>                          | 642         | <b>13,023</b>      | 12,558    |
|  | <b>490,775</b>                      | 406,994     | <b>337,478</b>     | 335,248   |

#### Information about major customers

For the six months ended 30th September 2017, revenue of approximately HK\$94,533,000 (2016: HK\$75,566,000) was derived from a single external customer who contributed more than 10% of total revenue of the Group. This revenue was attributable to the sale of watches segment.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 5. PROFIT BEFORE TAXATION

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

#### (a) Finance costs

|   | <b>Six months ended<br/>30th September</b> |             |
|---|--|-------------|
|   | <b>2017</b>                                | 2016        |
|   | <b>HK\$'000</b>                            | HK\$'000    |
|   | <b>(unaudited)</b>                         | (unaudited) |
| Interest on bank borrowings wholly repayable within five years                            | <b>1,378</b>                               | 1,377       |
| Interest on loans from a director   | <b>161</b>                                 | 847         |
|   | <hr/>                                      | <hr/>       |
| Total interest expenses on financial liabilities not at fair value through profit or loss | <b>1,539</b>                               | 2,224       |
|   | <hr/> <hr/>                                | <hr/> <hr/> |

#### (b) Other items

|   | <b>Six months ended<br/>30th September</b> |             |
|---|--|-------------|
|   | <b>2017</b>                                | 2016        |
|   | <b>HK\$'000</b>                            | HK\$'000    |
|   | <b>(unaudited)</b>                         | (unaudited) |
| Net exchange loss                                       | <b>662</b>                                 | 68          |
| Amortisation of prepaid lease payments                  | <b>233</b>                                 | 235         |
| Depreciation for property, plant and equipment          | <b>1,995</b>                               | 3,129       |
| Write-down/(reversal of write-down) of inventories, net | <b>36,129</b>                              | (2,079)     |
| Staff costs including directors' fees and emoluments    | <b>27,404</b>                              | 25,686      |
| Cost of inventories recognised as expenses              | <b>398,191</b>                             | 312,066     |
|   | <hr/> <hr/>                                | <hr/> <hr/> |

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

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

|                   | <b>Six months ended</b>     |                             |
|-------------------|-----------------------------|-----------------------------|
|                   | <b>30th September</b>       |                             |
|                   | <b>2017</b>                 | 2016                        |
|                   | <b>HK\$'000</b>             | HK\$'000                    |
|                   | <b>(unaudited)</b>          | (unaudited)                 |
| Current:          |                             |                             |
| Outside Hong Kong | —                           | 23                          |
|                   | <u>                    </u> | <u>                    </u> |

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2016: 16.5%). No Hong Kong Profits Tax has been provided for in the financial statements for the period ended 30th September 2017 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. No Hong Kong Profits Tax has been provided for the period ended 30th September 2016 as the Group has no estimated assessable profits in Hong Kong.

No PRC income tax has been provided for in the financial statements for the period ended 30th September 2017 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. Taxation for the PRC subsidiaries is provided at the rate of 25% for the period ended 30th September 2016.

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

### 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\$3,689,000 (2016: HK\$2,436,000) and the weighted average number of 1,566,866,000 ordinary shares (2016: 1,566,866,000 ordinary shares) in issue during the period.

#### (b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share for the six months ended 30th September 2017 and 2016.

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 2017 and 2016.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 8. DIVIDENDS

The Directors resolved not to pay any interim dividend for the six months ended 30th September 2017 (2016: Nil).

### 9. TRADE AND OTHER RECEIVABLES

|                              | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|------------------------------|---|--|
| Trade receivables            |   |  |
| – Third parties              | <b>20,405</b>   | 15,459   |
| – Related parties            | <b>4,850</b>  | 2,841  |
|                              | <b>25,255</b>   | 18,300   |
| Allowance for doubtful debts | <b>(2,514)</b>  | (2,464)  |
|                              | <b>22,741</b>   | 15,836   |
| Other receivables            |   |  |
| – Third parties              | <b>4,838</b>  | 7,368  |
| – Related parties            | <b>2,173</b>  | 1,033  |
|                              | <b>7,011</b>  | 8,401  |
| Loans and receivables        | <b>29,752</b>   | 24,237   |
| Deposits and prepayments     | <b>6,045</b>  | 12,415   |
|                              | <b>35,797</b>   | 36,652   |

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 9. TRADE AND OTHER RECEIVABLES (Continued)

#### (a) Aging Analysis

The Group allows credit period of up to 180 days to its customers. The aging analysis of trade receivables of HK\$22,741,000 (31st March 2017: HK\$15,836,000) at the end of the reporting period based on invoice date and net of allowance of doubtful debts is as follows:

|                 | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|-----------------|---|--|
| Up to 90 days   | 19,802  | 13,636   |
| 91 to 180 days  | 932   | 623  |
| 181 to 365 days | 643   | 1,054  |
| Over 365 days   | 1,364   | 523  |
|                 | <u>22,741</u>   | <u>15,836</u>  |

### 10. TRADE AND OTHER PAYABLES

|  | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|--|---|--|
| Trade payables                                   |   |  |
| – Third parties                                  | 19,131  | 14,703   |
| – Related parties                                | 173   | 16   |
|  | <u>19,304</u>   | 14,719   |
| Other payables and accrued charges               | 34,045  | 37,439   |
| Accrued interest payable to a director           | 161   | –  |
|  | <u>53,510</u>   | 52,158   |
| Financial liabilities measured at amortised cost |   |  |
| Rental received in advance                       | 94  | 90   |
| Deposits received                                | 4,250   | 4,063  |
| Other tax payable                                | 60,061  | 57,497   |
|  | <u>117,915</u>  | <u>113,808</u>                                       |

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 10. TRADE AND OTHER PAYABLES (Continued)

#### (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:

|                 | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|-----------------|---|--|
| Up to 90 days   | <b>15,957</b>   | 11,457   |
| 91 to 180 days  | <b>63</b>   | 39   |
| 181 to 365 days | <b>-</b>  | -  |
| Over 365 days   | <b>3,284</b>  | 3,223  |
|                 | <b>19,304</b>   | 14,719   |

### 11. SHARE CAPITAL

|   | <b>Number of<br/>shares<br/>'000<br/>(unaudited)</b> | <b>Amount<br/>HK\$'000<br/>(unaudited)</b> |
|---|--|--|
| Authorised:   |  |  |
| At 31st March 2017, 1st April 2017 and<br>30th September 2017, Ordinary shares of<br>HK\$0.2 each | <b>2,500,000</b>                                     | <b>500,000</b>                             |
| Issued and fully paid:  |  |  |
| At 31st March 2017, 1st April 2017 and<br>30th September 2017, Ordinary shares of<br>HK\$0.2 each | <b>1,566,866</b>                                     | <b>313,373</b>                             |

**NOTES TO THE INTERIM FINANCIAL REPORT** (Continued)

**12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

|  | <b>Land<br/>and<br/>buildings</b><br><i>HK\$'000</i><br>(unaudited) | <b>Other<br/>property,<br/>plant and<br/>equipment</b><br><i>HK\$'000</i><br>(unaudited) | <b>Total</b><br><i>HK\$'000</i><br>(unaudited) |
|--|---|--|--|
| Carrying amount at 1st April 2016      | 16,284  | 6,823  | 23,107   |
| Translation differences                | (64)  | (69)   | (133)  |
| Additions                              | –   | 315  | 315  |
| Depreciation charge                    | (170)   | (2,959)  | (3,129)  |
| Carrying amount at 30th September 2016 | <u>16,050</u>   | <u>4,110</u>   | <u>20,160</u>                                  |
| Carrying amount at 1st April 2017      | <b>15,761</b>   | <b>4,374</b>   | <b>20,135</b>                                  |
| Translation differences                | <b>144</b>  | <b>44</b>  | <b>188</b>                                     |
| Additions                              | –   | <b>564</b>   | <b>564</b>                                     |
| Depreciation charge                    | <b>(170)</b>  | <b>(1,825)</b>   | <b>(1,995)</b>                                 |
| Carrying amount at 30th September 2017 | <u><b>15,735</b></u>  | <u><b>3,157</b></u>  | <u><b>18,892</b></u>                           |

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 13. RELATED PARTY TRANSACTIONS

#### (a) Key management personnel remuneration

Remuneration of key management personnel of the Group, including amounts paid to the Company's directors and certain of highest paid employees are as follows:

|                              | <b>Six months ended<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | 2016<br>HK\$'000<br>(unaudited) |
|------------------------------|--|---------------------------------|
| Short-term employee benefits | <b>4,955</b>   | 6,984                           |
| Post-employment benefits     | <b>18</b>  | 23                              |
|                              | <b>4,973</b>   | 7,007                           |

#### (b) Financing arrangements

|                       | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|-----------------------|---|--|
| Loans from a director | –   | 8,000  |
| Accrued interest      | <b>161</b>  | –  |
|                       | <b>161</b>  | 8,000  |

The loans are unsecured, bearing interest at the Hong Kong dollar prime rate as quoted by Hong Kong and Shanghai Banking Corporation Limited plus 1% per annum and repayable on demand.



## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 13. RELATED PARTY TRANSACTIONS (Continued)

#### (c) Other transactions

|  |              | <b>Six months ended</b> |                  |
|--|--------------|-------------------------|------------------|
|  |              | <b>30th September</b>   |                  |
|  | <i>Notes</i> | <b>2017</b>             | 2016             |
|  |              | <b>HK\$'000</b>         | HK\$'000         |
|  |              | <b>(Unaudited)</b>      | (Unaudited)      |
| Sales of watch movements to a related company ultimately owned by the wife of Mr. Eav Yin and controlled by Mr. Eav Yin                                  |              | <b>1,688</b>            | 34               |
| Provision of subsidised advertising and marketing support to a related company ultimately owned by the wife of Mr. Eav Yin and controlled by Mr. Eav Yin | (i)          | <b>1,140</b>            | 1,203            |
| Leasing of offices and warehouses to three related companies ultimately owned by the wife of Mr. Eav Yin and controlled by Mr. Eav Yin                   | (ii)         | <b>1,130</b>            | 938              |
| Purchase of products from a related company ultimately owned by the wife of Mr. Eav Yin and controlled by Mr. Eav Yin                                    | (iii)        | <b>37</b>               | 68               |
|  |              | <b><u>37</u></b>        | <b><u>68</u></b> |

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 13. RELATED PARTY TRANSACTIONS (Continued)

#### (c) Other transactions (Continued)

Notes:

#### (i) Provision of subsidised advertising and marketing support services

During the six months ended 30th September 2017 and 2016, the Group participated in the marketing programs and activities for promoting and enhancing the image of branded watches supplied by a related company ultimately controlled by Mr. Eav Yin. In return, the related company subsidised the Group by paying an advertising subsidy to the Group.

#### (ii) Leasing of offices and warehouses

During the six months ended 30th September 2017 and 2016, the Group leased an office and warehouse space to three related companies ultimately owned by the wife of Mr. Eav Yin and controlled by Mr. Eav Yin.

As at 30th September 2017 and 31st March 2017, commitments under operating leases receivable from the companies over which ultimately owned by the wife of Mr. Eav Yin and controlled by Mr. Eav Yin were as follows:

|  | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|--|---|--|
| Not later than one year                          | <b>1,295</b>  | 1,457  |
| Later than one year and not later than five year | <b>819</b>  | 1,180  |
|  | <b><u>2,114</u></b>   | <u>2,637</u>   |

Leases for properties are negotiated for terms ranging from 0.19 to 5 years (31st March 2017: 0.25 to 5 years) and related commitments are included in Note 15.

#### (iii) Purchase of products

The Group purchased products from a related company during the six months ended 30th September 2017 and 2016 which represented watches, watch spare parts and components (including watch movements), watch accessories and packaging. The Group also outsourced watch assembly, processing and after-sales services such as maintenance and repairs to the above related parties. The purchase of products includes the fees and charges for these services.

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 13. RELATED PARTY TRANSACTIONS (Continued)

#### (d) Balances with related companies

|   | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at 31st<br>March<br>2017<br>HK\$'000<br>(audited) |
|---|---|--|
| Trade and other receivables due from four<br>(31st March 2017: three) related companies<br>ultimately owned by the wife of Mr. Eav Yin<br>and controlled by Mr. Eav Yin | <b>7,023</b>  | 3,874  |
| Trade payables due to two (31st March 2017:<br>one) related companies ultimately owned by<br>the wife of Mr. Eav Yin and controlled by Mr.<br>Eav Yin                   | <b>173</b>  | 16   |

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 14. PLEDGE OF ASSETS

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

|                        | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|------------------------|---|--|
| Land and buildings     | <b>13,990</b>   | 14,045   |
| Prepaid lease payments | <b>16,975</b>   | 16,535   |
| Investment properties  | <b>252,295</b>  | 251,162  |
| Inventories            | <b>68,974</b>   | 81,814   |
|                        | <b>352,234</b>  | 363,556  |

### 15. 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:

|   | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|---|---|--|
| Not later than one year                           | <b>7,574</b>  | 7,622  |
| Later than one year and not later than five years | <b>19,323</b>   | 21,587   |
| More than five years                              | <b>-</b>  | 627  |
|   | <b>26,897</b>   | 29,836   |

## NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

### 15. COMMITMENTS (Continued)

#### **Operating lease commitments – as lessee**

The Group had total future minimum lease payment under non-cancellable operating leases falling due as follows:

|   | <b>As at<br/>30th September<br/>2017<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31st March<br>2017<br>HK\$'000<br>(audited) |
|---|---|--|
| Not later than one year                           | <b>86,650</b>   | 86,005   |
| Later than one year and not later than five years | <b>255,487</b>  | 276,408  |
| More than five years                              | <b>3,047</b>  | 15,264   |
|   | <b>345,184</b>  | 377,677  |

### 16. 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.

### 17. 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 2017, the Group's consolidated revenue amounted to HK\$491 million, representing an increase of 21% (2016: decrease of 6%) from HK\$407 million in the same period of last year was mainly due to the increase in watches sales in Hong Kong. Average same store sales for the reporting period in Hong Kong and China increased by 40% and 1% respectively as compared with the corresponding period in last year. Gross profit margin decreased by 4% to 19% during this period was mainly 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 in China of a brand owned by the Group.

Distribution costs decreased by 11% to HK\$81 million during this period were mainly attributable to the decrease in rental expenses in Hong Kong. Administrative expenses amounted to HK\$14 million during this period which were comparable to those of last year. Finance costs slightly dropped to HK\$2 million during this period because of the decrease in borrowings.

#### *Liquidity and financial resources*

As at 30th September 2017, the Group's total cash balance amounted to HK\$62 million (31st March 2017: HK\$26 million). The increase was mainly due to the reduced inventory level as a result of the tightening control over inventory. Gearing ratio of the Group, expressed as a ratio of total borrowings over total equity, was 13% as at 30th September 2017 (31st March 2017: 26%).

#### *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 continued to improve its operating results and achieved a small profit of HK\$4 million in this period as compared with a profit of HK\$2 million in the same period of last year.

The Group operates 9 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. The overall sentiment in the luxury retail business in Hong Kong was stable but that in China still remained weak due to the slowdown of the economic growth in China and the change of spending pattern of the mainland tourists and the continuation of anticorruption drive in China.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **Prospect** (Continued)

Apart from the “Sale of watches business”, the Group also derived a smaller but stable income from the “Properties leasing business” in which the key investment properties are located in Hong Kong.

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 2017 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.

## **CORPORATE GOVERNANCE** (Continued)

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.



## DISCLOSURE OF INTERESTS

### Disclosure of directors' information pursuant to Rule 13.51B(1) of the Listing Rules

Since the last annual report published by the Company, the biography of Ms. Wong Wing Yue, Rosaline, an independent non-executive Director of the Company was changed to below:

LLB (Hons) at King's College, London University, UK in 1992, and was admitted to both the UK Bar (Middle Temple, UK) and the Hong Kong Bar in 1993.

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 30th September 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of the Listing Rules ("Listing Rules") were as follows:

#### *Long positions in shares and underlying shares of the Company*

| <b>Name of Director</b>     | <b>Nature of interest</b> | <b>Number of ordinary shares and underlying shares (if any) of HK\$0.2 each held</b> | <b>Approximate percentage of aggregate interests to total issued share capital</b> |
|-----------------------------|---------------------------|--|--|
|                             |                           |  | <b>%</b>   |
| Mr. Eav Yin                 | <i>Note 1</i>             | 886,302,473  | 56.57  |
| Ms. Eav Guech Rosanna       | <i>Note 2</i>             | 1,624,272  | 0.10   |
| Mr. Duong Ming Chi, Henry   | <i>Note 4</i>             | 4,089,600  | 0.26   |
| Mr. Lai Si Ming             | <i>Note 3</i>             | 366,625  | 0.02   |
| Ms. Wong Wing Yue, Rosaline | <i>Note 3</i>             | 366,625  | 0.02   |
| Mr. Lee Tat Cheung, Vincent | <i>Note 3</i>             | 366,625  | 0.02   |

## DISCLOSURE OF INTERESTS (Continued)

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures (Continued)

#### *Long positions in shares and underlying shares of the Company (Continued)*

*Note 1:* Among the 886,302,473 shares in which Mr. Eav Yin is deemed to have interests under the SFO (a) 70,688,600 shares are personal interest of Mr. Eav Yin of which 2,933,000 shares are share options, (b) 5,309,200 shares are held by Mdm. Lam Kim Phung (spouse of Mr. Eav Yin), (c) 582,421,337 shares by Century Hero International Limited, (d) 1,864,800 shares by Debonair Company Limited, (e) 102,267,728 shares by Goodideal Industrial Limited, (f) 2,550,672 shares by Hexham International Limited, (g) 2,846,536 shares by Goodness Management Limited and (h) 118,353,600 shares by Chanchhaya Trustee Holding Corporation (as a trustee of Eav An Unit Trust). Century Hero International Limited, Debonair Company Limited, Hexham International Limited, and Goodness Management Limited are wholly owned and Goodideal Industrial Limited is 87% owned by Mr. Eav Yin. Eav An Unit Trust is a discretionary trust of which Mr. Eav Yin is the founder, the beneficiaries include Mr. Eav Yin, his wife and their children.

*Note 2:* All the 1,624,272 shares are personal interest of Ms. Eav Guech Rosanna.

*Note 3:* These shares are personal interests relating to the share options held by the respective Directors.

*Note 4:* All the 4,089,600 shares are personal interest of Mr. Duong Ming Chi, Henry.

Save as disclosed herein and in the section "2002 Share Option Scheme", as at 30th September 2017, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code. In addition, save as disclosed above, none of the Directors or chief executive of the Company nor their spouses or children under 18 years of age had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

### Director's Rights to Acquire Shares or Debentures

Save as disclosed herein, at no time during the six months ended 30th September 2017, was the Company or any of its associated corporations a party to any arrangement to enable the Directors or chief executive to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or executive or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

## DISCLOSURE OF INTERESTS (Continued)

### Substantial Shareholders' Interests

As at 30th September 2017, so far as is known to any Directors and chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register kept by the Company or required to be notified under Section 336 of the SFO:

| Name of shareholder                    | Notes | Number of ordinary shares and underlying shares (if any) of HK\$0.2 each held | Approximate percentage of issued share capital<br>% |
|--|-------|---|---|
| Mdm. Lam Kim Phung                     | 1     | 886,302,473   | 56.57   |
| Century Hero International Limited     | 2     | 582,421,337   | 37.17   |
| Chanchhaya Trustee Holding Corporation | 3     | 118,353,600   | 7.55  |
| Goodideal Industrial Limited           | 4     | 102,267,728   | 6.53  |
| Convenhills Limited                    | 5     | 128,510,486   | 8.20  |

*Notes:*

1. These shares include 5,309,200 shares held by Mdm. Lam Kim Phung and the remaining 880,993,273 shares representing the interest held by Mr. Eav Yin, spouse of Mdm. Lam Kim Phung, whose interests are disclosed in the above section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures".
2. Century Hero International Limited is wholly owned by Mr. Eav Yin who is a director of this company.
3. Chanchhaya Trustee Holding Corporation is the trustee of Eav An Unit Trust, a discretionary trust, the beneficiaries of which include Mr. Eav Yin, his wife and their children.
4. Goodideal Industrial Limited is 87% owned by Mr. Eav Yin who is a director of this company.
5. Convenhills Limited is owned equally by the estate beneficiary of late Mr. Leong Lou Teck, Mr. Leong Lum Thee, Miss Leong Yoke Kheng and Mr. Leong Siew Khuen.

All the interests disclosed above represent long positions in shares and underlying shares of the Company. Save as disclosed above, as at 30th September 2017, there was no other person (other than the Directors or chief executive of the Company) who was recorded in the register of the Company as having an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **OTHER INFORMATION**

### **Interim Dividend**

The directors resolved not to declare an interim dividend in respect of the six months ended 30th September 2017 (2016: 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 2017.

### **Employees and Remuneration Policy**

There were 175 employees in the Group as at 30th September 2017. 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.

### **2002 Share Option Scheme**

On 20th September 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "2002 Share Option Scheme"). The purpose of the 2002 Share Option Scheme was to encourage qualifying grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Qualifying grantees of the 2002 Share Option Scheme mean (i) any employee or any business-related consultant, agent, representative or advisor of the Company or any subsidiary or any affiliate; or (ii) any supplier, agent or consultant who provide goods or services to the Company or any subsidiary or any affiliate; or (iii) any customer of the Company or any subsidiary or any affiliate; or (iv) any business ally or joint venture partner of the Company or any subsidiary or any affiliate.

Refreshment of 2002 Share Option Scheme mandate limit (the "Refreshment") and amendment of rules of 2002 Share Option Scheme (the "Amendment") had been approved at the annual general meeting of the Company held on 26th August 2008.

The Company had issued 146,800,000 and 34,170,000 share options to the qualifying grantees to subscribe for ordinary shares of HK\$0.02 each in the share capital of the Company under the 2002 Share Option Scheme on 31st March 2011 and 26th October 2011 of which the exercise prices were HK\$0.394 per share and HK\$0.263 per share respectively. Upon the completion of the share consolidation and rights issue in January 2013 and February 2013 respectively, both the exercise prices and the numbers of share options had been adjusted according to the 2002 Share Option Scheme.

## OTHER INFORMATION (Continued)

### 2002 Share Option Scheme (Continued)

During the six months ended 30th September 2017, 307,965 share options were lapsed but no option was granted, exercised or cancelled during the period. There were 16,791,425 share options outstanding at 30th September 2017 (2016: 17,759,315). The share options outstanding at 30th September 2017 had an exercise price of HK\$1.344.

The 2002 Share Option Scheme was expired on 20th September 2012. No share option could be granted thereafter.

| Grantees                    | No. of share options outstanding at the beginning of the period | No. of share options granted during the period | No. of share options lapsed during the period | No. of shares acquired on exercise of share options during the period | No. of share options outstanding at period end | Date of grant   | Period during which share options are vested | Period during which share options are exercisable | Exercise price per share |
|-----------------------------|---|--|---|---|--|-----------------|--|---|--------------------------|
|                             |   |  |   |   |  |                 |  |   |                          |
| <b>Directors</b>            |   |  |   |   |  |                 |  |   |                          |
| Mr. Eav Yin                 | 2,933,000   | -  | -   | -   | 2,933,000                                      | 31st March 2011 | 30th March 2012 to 30th March 2016           | 30th March 2012 to 30th March 2021                | HK\$1,344                |
| Mr. Lai Si Ming             | 366,625   | -  | -   | -   | 366,625  | 31st March 2011 | 30th March 2012 to 30th March 2016           | 30th March 2012 to 30th March 2021                | HK\$1,344                |
| Ms. Wong Wing Yue, Rosaline | 366,625   | -  | -   | -   | 366,625  | 31st March 2011 | 30th March 2012 to 30th March 2016           | 30th March 2012 to 30th March 2021                | HK\$1,344                |
| Mr. Lee Tai Cheung, Vincent | 366,625   | -  | -   | -   | 366,625  | 31st March 2011 | 30th March 2012 to 30th March 2016           | 30th March 2012 to 30th March 2021                | HK\$1,344                |
|                             | <u>4,032,875</u>  | <u>-</u>                                       | <u>-</u>                                      | <u>-</u>  | <u>4,032,875</u>                               |                 |  |   |                          |
| Employees                   | 13,066,515  | -  | (307,965)                                     | -   | 12,758,550                                     | 31st March 2011 | 30th March 2012 to 30th March 2016           | 30th March 2012 to 30th March 2021                | HK\$1,344                |
| <b>Total</b>                | <b><u>17,099,390</u></b>  | <b><u>-</u></b>                                | <b><u>(307,965)</u></b>                       | <b><u>-</u></b>   | <b><u>16,791,425</u></b>                       |                 |  |   |                          |

**OTHER INFORMATION** (Continued)

**Share Award Plan 2010**

On 13th September 2010, the shareholders of the Company approved the adoption of a share award plan (the “Share Award Plan 2010”).

The Share Award Plan 2010 is a ten-year discretionary share award and ownership plan. It is primarily for encouraging or facilitating the holding of shares by those selected employees of the Group who, as determined by the Board, are eligible to participate in the plan and to whom new shares are or will be awarded. The Directors will make use of the plan to award new shares to those selected employees of the Group on suitable terms as incentives and rewards for their contribution to the Group.

No award was granted, exercised, cancelled or lapsed during the six months ended 30th September 2017 and as at 30th September 2017, there were no outstanding award granted under the Share Award Plan 2010.

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

Hong Kong, 21st November 2017