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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 2021

	Six months ended 30th September		Change
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	%
Operations			
Revenue	430,559	476,513	(10)
Profit attributable to the owners of the Company	35,356	40,109	(12)
Earnings per share – Basic and diluted	4.73 HK cents	5.37 HK cents	(12)
Interim dividend declared	40,046	–	N/A
	As at 30th September 2021 HK\$ million (unaudited)	As at 31st March 2021 HK\$ million (audited)	Change %
Financial position			
Total assets	753	815	(8)
Equity attributable to the owners of the Company	452	414	9

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 2021 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 2021

		Six months ended	
		30th September	
	<i>Note</i>	2021	2020
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	4	430,559	476,513
Cost of sales		<u>(319,178)</u>	<u>(375,111)</u>
Gross profit		111,381	101,402
Other revenue		9,150	4,279
Distribution costs		(53,439)	(54,928)
Administrative expenses		(14,817)	(18,567)
Other income, net		397	25,474
Change in fair value of an investment property classified as held for sale		(6,745)	–
Gain on disposal of subsidiaries	15	13,175	–
Finance costs	5(a)	<u>(2,981)</u>	<u>(5,242)</u>
Profit before taxation	5	56,121	52,418
Income tax	6	<u>(21,365)</u>	<u>(13,136)</u>
Profit for the period		<u>34,756</u>	<u>39,282</u>
Attributable to:			
Owners of the Company		35,356	40,109
Non-controlling interests		<u>(600)</u>	<u>(827)</u>
		<u>34,756</u>	<u>39,282</u>
Earnings per share	7		
Basic and diluted (HK cents)		<u>4.73</u>	<u>5.37</u>

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

For the six months ended 30th September 2021

	Six months ended 30th September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	34,756	39,282
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>2,852</u>	<u>7,213</u>
Total other comprehensive profit for the period (net of nil tax)	<u>2,852</u>	<u>7,213</u>
Total comprehensive income for the period	<u>37,608</u>	<u>46,495</u>
Attributable to:		
Owners of the Company	38,208	47,322
Non-controlling interests	<u>(600)</u>	<u>(827)</u>
Total comprehensive income for the period	<u>37,608</u>	<u>46,495</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2021

		As at 30th September 2021 <i>HK\$'000</i> (unaudited)	As at 31st March 2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		67,740	81,069
Investment properties		316,837	342,014
Financial assets at fair value through profit or loss		7,773	7,773
Equity instrument at fair value through other comprehensive income		2,336	2,333
Deferred tax assets		2,418	2,418
Deposits and prepayments	9	20,819	9,306
		417,923	444,913
Current assets			
Inventories		96,289	111,332
Trade and other receivables	9	72,035	115,291
Trading securities		900	510
Income tax recoverable		950	12,021
Cash and cash equivalents		145,412	130,663
		315,586	369,817
Investment property held for sale		19,004	–
		334,590	369,817
Current liabilities			
Trade and other payables	10	101,342	99,917
Contract liabilities		1,819	2,441
Bank loans		93,000	164,090
Lease liabilities		40,361	68,556
Current income tax payable		13,707	14,362
		250,229	349,366
Net current assets		84,361	20,451
Total assets less current liabilities		502,284	465,364

		As at 30th September 2021 HK\$'000 (unaudited)	As at 31st March 2021 HK\$'000 (audited)
Non-current liabilities			
Rental deposits received and receipt in advance		2,663	2,546
Deferred tax liabilities		26,387	26,387
Lease liabilities		21,431	27,689
		50,481	56,622
Net assets		451,803	408,742
Capital and reserves			
Share capital	11	149,424	149,424
Reserves		302,384	264,176
Total equity attributable to the owners of the Company		451,808	413,600
Non-controlling interests		(5)	(4,858)
Total equity		451,803	408,742

Notes:

1. GENERAL

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

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 22nd November 2021.

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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements which are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendment to HKFRS 16, COVID-19 related rent concessions beyond 30th June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – Phase 2

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, COVID-19 related rent concessions beyond 30th June 2021 (2021 amendment)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30th June 2021 to 30th June 2022. The Group has early adopted the 2021 amendment in this financial period. There is no impact on the opening balance of equity at 1st April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on this interim financial report as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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

Other than the Amendment to HKFRS 16, none of these have had a material impact on the accounting policies of the Group.

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 2021. 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 2021 (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	421,816	–	421,816	2,015	423,831
Over time	–	6,638	6,638	90	6,728
External revenue (<i>Note</i>)	<u>421,816</u>	<u>6,638</u>	<u>428,454</u>	<u>2,105</u>	<u>430,559</u>
Operating profit/(loss)	57,503	(697)	56,806	(5,244)	51,562
Interest income	713	–	713	–	713
Other income, net	10	–	10	387	397
Gain on disposal of subsidiaries	–	–	–	13,175	13,175
Change in fair value of an investment property classified as held for sale	–	(6,745)	(6,745)	–	(6,745)
Finance costs	(2,822)	–	(2,822)	(159)	(2,981)
Segment results	<u>55,404</u>	<u>(7,442)</u>	<u>47,962</u>	<u>8,159</u>	<u>56,121</u>
Income tax expense					<u>(21,365)</u>
Profit for the period					<u>34,756</u>
Depreciation and amortisation	<u>(15,575)</u>	<u>(400)</u>	<u>(15,975)</u>	<u>(110)</u>	<u>(16,085)</u>

Note:

There were no inter-segment sales during the six months ended 30th September 2021.

As at 30th September 2021 (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>
Segment assets	<u>367,354</u>	<u>354,932</u>	<u>722,286</u>	<u>20,036</u>	742,322
Financial assets at fair value through profit or loss					7,773
Deferred tax assets					<u>2,418</u>
Total assets					<u>752,513</u>
Additions to non-current segment assets during the reporting period	<u>1,576</u>	<u>8,134</u>	<u>9,710</u>	<u>15</u>	<u>9,725</u>
Segment liabilities	<u>234,265</u>	<u>21,841</u>	<u>256,106</u>	<u>4,510</u>	260,616
Current income tax payable					13,707
Deferred tax liabilities					<u>26,387</u>
Total liabilities					<u>300,710</u>

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	8	467,046
Over time	–	6,329	6,329	3,138	9,467
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	(5,198)	–	(5,198)	(44)	(5,242)
Segment results	<u>59,408</u>	<u>246</u>	<u>59,654</u>	<u>(7,236)</u>	52,418
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 31st March 2021 (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	430,124	354,066	784,190	20,349	804,539
Financial assets at fair value through profit or loss					7,773
Deferred tax assets					2,418
Total assets					814,730
Additions to non-current segment assets during the reporting period	11,500	8,696	20,196	2,638	22,834
Segment liabilities	326,576	22,337	348,913	16,326	365,239
Current income tax payable					14,362
Deferred tax liabilities					26,387
Total liabilities					405,988

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	31st
	30th September		September	March
	2021	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China, excluding Hong Kong	420,345	423,956	50,970	85,755
Hong Kong (place of domicile)	9,525	51,900	249,381	249,985
United Kingdom	–	–	87,571	79,099
Switzerland	689	657	17,474	17,550
	<u>430,559</u>	<u>476,513</u>	<u>405,396</u>	<u>432,389</u>

Information about major customers

For the six months ended 30th September 2021, revenue of approximately HK\$66,605,000 (the six months ended 30th September 2020: approximately HK\$120,449,000) was derived from a single external customer who contributed more than 10% of total of the Group. This revenue was attributable to the sale of watches segment.

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended	
	30th September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	1,060	1,982
Interest on lease liabilities	<u>1,921</u>	<u>3,260</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>2,981</u>	<u>5,242</u>

(b) Other items

	Six months ended	
	30th September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange gain	(243)	(374)
Amortisation of intangible assets	1	–
Depreciation charge		
– property, plant and equipment	2,151	4,109
– right-of-use assets	13,933	15,057
Write-down/(reversal of write-down) of inventories, net	151	(2,204)
Reversal of impairment loss of other receivables	–	(75)
Staff costs including directors' fees and emoluments	26,277	28,555
Cost of inventories recognised as expenses	319,178	375,111
Interest income on bank deposits	(713)	(180)
Gain on disposal of subsidiaries	(13,175)	–
Loss on disposal of an investment property	–	100
Change in fair value of an investment property classified as held for sale	6,745	–
Gain on lease modification	–	(23,177)
	<u> </u>	<u> </u>

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

	Six months ended	
	30th September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
PRC Corporate Income Tax		
– Charge for the period	21,365	13,136
Deferred tax		
Origination and reversal of temporary differences	–	–
	<u> </u>	<u> </u>
	<u>21,365</u>	<u>13,136</u>

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2020: 16.5%). No Hong Kong Profits Tax has been provided for in the financial statements for the six months ended 30th September 2021 and 2020 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 2021 (2020: 25%).

The subsidiaries in Switzerland are subject to Switzerland Profits Tax at the rate of 16% (2020: 16%). No Switzerland Profits Tax has been provided for the six months ended 30th September 2021 and 2020 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\$35,356,000 (2020: HK\$40,109,000) and the weighted average number of 747,123,000 ordinary shares (2020: 747,123,000 ordinary shares) in issue during the six months ended 30th September 2021.

(b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share for the six months ended 30th September 2021, as there is no dilutive potential ordinary share in issue during the period.

For the six months ended 30th September 2020, diluted earnings per share was equal to the basic earning per share, as 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.

8. DIVIDENDS

Dividends payable to equity shareholders attributable to the interim period

	Six months ended	
	30th September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interim dividend declared after the interim period of HK\$0.0536 per share (2020: Nil)	40,046	–

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

9. TRADE AND OTHER RECEIVABLES

	As at 30th September 2021 <i>HK\$'000</i> (unaudited)	As at 31st March 2021 <i>HK\$'000</i> (audited)
Trade receivables, net of loss allowance		
– Third parties	25,943	68,756
– Related parties	7,313	6,996
	<u>33,256</u>	<u>75,752</u>
Other receivables		
– Third parties	13,336	12,732
– Related parties	2,506	2,189
	<u>15,842</u>	<u>14,921</u>
Financial assets measured at amortised cost	49,098	90,673
Deposits and prepayments	43,756	33,924
	<u>92,854</u>	<u>124,597</u>
Analysed as:		
Non-current	20,819	9,306
Current	72,035	115,291
	<u>92,854</u>	<u>124,597</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 2021 <i>HK\$'000</i> (unaudited)	As at 31st March 2021 <i>HK\$'000</i> (audited)
Up to 90 days	25,235	67,846
91 to 180 days	330	485
181 to 365 days	624	1,081
Over 365 days	7,067	6,340
	<u>33,256</u>	<u>75,752</u>

10. TRADE AND OTHER PAYABLES

	As at 30th September 2021 <i>HK\$'000</i> (unaudited)	As at 31st March 2021 <i>HK\$'000</i> (audited)
Trade payables		
– Third parties	7,639	6,542
– Related parties	129	13
	<u>7,768</u>	<u>6,555</u>
Other payables and accrued charges	23,063	33,286
Financial liabilities measured at amortised cost	30,831	39,841
Rental received in advance	75	75
Deposits received	11,990	3,046
Other tax payable	58,446	56,955
	<u>101,342</u>	<u>99,917</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 2021 <i>HK\$'000</i> (unaudited)	As at 31st March 2021 <i>HK\$'000</i> (audited)
Up to 90 days	3,916	2,707
91 to 180 days	46	294
181 to 365 days	–	–
Over 365 days	3,806	3,554
	<u>7,768</u>	<u>6,555</u>

11. SHARE CAPITAL

	Nominal value per share <i>HK\$</i>	Number of shares '000 (unaudited)	Amount <i>HK\$'000</i> (unaudited)
Authorised:			
At 1st April 2020, 31st March 2021, 1st April 2021 and 30th September 2021	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 2020, 31st March 2021, 1st April 2021 and 30th September 2021	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:

	As at 30th September 2021 <i>HK\$'000</i> (unaudited)	As at 31st March 2021 <i>HK\$'000</i> (audited)
Land and buildings	11,160	11,266
Investment properties	<u>293,629</u>	<u>318,939</u>
	<u>304,789</u>	<u>330,205</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 2021 <i>HK\$'000</i> (unaudited)	As at 31st March 2021 <i>HK\$'000</i> (audited)
Contracted for:		
Construction work for properties	<u>2,347</u>	<u>8,355</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 2021 <i>HK\$'000</i> (unaudited)	As at 31st March 2021 <i>HK\$'000</i> (audited)
Not later than one year	9,323	12,043
Later than one year and not later than five years	20,045	23,554
Over five years	<u>–</u>	<u>329</u>
	<u>29,368</u>	<u>35,926</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. DISPOSAL OF SUBSIDIARIES

On 12th August 2021, the Group entered into the Sale and Purchase Agreement to dispose of the Group's 70% equity interest in Reign Abalone Limited Group ("RBL Group") and HK\$12,000,000 of its shareholder's loans due to the Group. The total consideration to the Group is approximately HK\$12,000,000 plus a notional interest accrued at the prime rate minus 0.5% per annum on the outstanding deferred consideration. RBL Group is principally engaged in gourmet business. Details are disclosed in the Group's announcement dated 12th August 2021.

Consideration received:

	<i>HK\$'000</i>
Cash received	8,000
Deferred cash consideration (<i>Note</i>)	<u>4,450</u>
Total consideration	<u><u>12,450</u></u>

Note: The deferred consideration will be settled in cash in tranches (of HK\$1,000,000 each) against receipt of the assignment consideration to be paid by the Purchaser over the next four years with the last instalment due in August 2025 in accordance with the Sale and Purchase Agreement. The consideration for each tranche is equal to its principal amount plus a notional interest accrued at the prime rate minus 0.5% per annum.

Gain on disposal of subsidiaries:

	<i>HK\$'000</i>
Consideration received and receivable	12,450
Net liabilities disposed of	18,178
Non-controlling interests	(5,453)
Assignment of shareholder's loan due to the Group	<u>(12,000)</u>
Gain on disposal	<u><u>13,175</u></u>

Net cash inflow/(outflow) arising on disposal of subsidiaries

	<i>HK\$'000</i>
Consideration received in cash and cash equivalents	8,000
Less: Cash and cash equivalent balances disposed of	<u>(782)</u>
	<u><u>7,218</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Review

For the six months ended 30th September 2021, the Group's consolidated revenue amounted to HK\$431 million, representing a drop of 10% (2020: decrease of 1%) from HK\$477 million in the same period of last year was mainly due to the drop in watches sales in Hong Kong. Sales for the reporting period in Hong Kong and China amounted to HK\$10 million and HK\$420 million, representing a decrease of 82% and 1% respectively as compared with the corresponding period in last year. Gross profit margin increased by 5% to 26% during this period was due to improvement in product mix with higher gross profit margin.

Distribution costs slightly decreased by 3% to HK\$53 million during this period which were comparable to last year. Administrative expenses decreased by 20% to HK\$15 million during this period were mainly attributable to the decrease in consultancy fee. Finance costs decreased to HK\$3 million during this period because of the decrease in interest on lease liabilities.

Other income was minimal during this period as compared with that from the same period of last year of HK\$25 million. The amount for last year was mainly due to the one-off gain arising from the reassessment of the lease liability upon rental reduction for some stores. In addition, the Group has an one-off gain of HK\$13 million during this period from the disposal of the gourmet business acquired in late July 2019 as the future outlook of this business was not promising given the current COVID-19 pandemic.

As a result of the above, the Group achieved a net profit of HK\$35 million in this period as compared with a net profit of HK\$40 million in the same period of last year.

Liquidity and financial resources

As at 30th September 2021, the Group's total cash balance amounted to HK\$145 million (31st March 2021: HK\$131 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 21% as at 30th September 2021 (31st March 2021: 40%).

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 6 stores in China. The Group remained focus on its core stores and has streamlined their operating costs 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 China was good. Looking ahead, the Group believes that the momentum can be maintained as the COVID-19 pandemic is further under control.

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 years.

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 2021 except for the deviation from the code provisions A.2.1, A.4.1, A.5.1, 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 4th 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, except for the newly appointment of Mr. Kee Wah Sze as independent non-executive director of the Company for a term of 3 years commencing on 10th August 2020, 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 A.5.1 of the Code provides that the nomination committee should be chaired by the chairman of the board or an independent non-executive director. Since the deceased of Mr. Eav Yin on 4th September 2020, the chairman of the nomination committee has been vacant and has not been filled up as the date of this announcement. The Board will appoint the chairman of the nomination committee as soon as practicable for filling such vacancy.

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 Board of Directors declared an interim dividend of HK\$0.0536 per share for the six months ended 30th September 2021 (2020: Nil) and payable on or about 24th December 2021 to shareholders whose names appear on the Register of Members of the Company on 10th December 2021.

Closure of Register of Members

The register of members of the Company will be closed from 7th December 2021 to 10th December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 6th December 2021.

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 2021.

Employees and Remuneration Policy

There were 119 employees in the Group as at 30th September 2021. 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, 22nd November 2021

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*