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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 2022

	Six months ended 30th September		Change %
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	
<b>Operations</b>			
Revenue	<b>290,881</b>	430,559	<b>(32)</b>
Profit attributable to the owners of the Company	<b>6,989</b>	35,356	<b>(80)</b>
Earnings per share – Basic and diluted	<b>0.94 HK cents</b>	4.73 HK cents	<b>(80)</b>
Interim dividend declared	–	40,046	<b>N/A</b>
	<b>As at 30th September 2022 HK\$ million (unaudited)</b>	<b>As at 31st March 2022 HK\$ million (audited)</b>	<b>Change %</b>
<b>Financial position</b>			
Total assets	<b>741</b>	870	<b>(15)</b>
Equity attributable to the owners of the Company	<b>414</b>	468	<b>(12)</b>

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 2022 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 2022*

		<b>Six months ended</b>	
		<b>30th September</b>	
	<i>Note</i>	<b>2022</b>	2021
		<b>HK\$’000</b>	HK\$’000
		<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>	4	<b>290,881</b>	430,559
Cost of sales		<u>(195,950)</u>	<u>(319,178)</u>
<b>Gross profit</b>		<b>94,931</b>	111,381
Other revenue		<b>3,363</b>	9,150
Distribution costs		<b>(43,581)</b>	(53,439)
Administrative expenses		<b>(33,215)</b>	(14,817)
Other income, net		<b>6,162</b>	397
Change in fair value of an investment property classified as held for sale		–	(6,745)
Gain on disposal of subsidiaries		–	13,175
Finance costs	5(a)	<u>(3,572)</u>	<u>(2,981)</u>
<b>Profit before taxation</b>	5	<b>24,088</b>	56,121
Income tax	6	<u>(17,099)</u>	<u>(21,365)</u>
<b>Profit for the period</b>		<b><u>6,989</u></b>	<u>34,756</u>
<b>Attributable to:</b>			
Owners of the Company		<b>6,989</b>	35,356
Non-controlling interests		<u>–</u>	<u>(600)</u>
		<b><u>6,989</u></b>	<u>34,756</u>
<b>Earnings per share</b>	7		
Basic and diluted (HK cents)		<b><u>0.94</u></b>	<u>4.73</u>

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

*For the six months ended 30th September 2022*

	<b>Six months ended 30th September</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>6,989</b>	34,756
<b>Other comprehensive (loss)/income for the period</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(21,886)</u>	<u>2,852</u>
Total other comprehensive (loss)/income for the period (net of nil tax)	<u>(21,886)</u>	<u>2,852</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(14,897)</u></b>	<b><u>37,608</u></b>
<b>Attributable to:</b>		
Owners of the Company	<u>(14,897)</u>	38,208
Non-controlling interests	<u>–</u>	<u>(600)</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(14,897)</u></b>	<b><u>37,608</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30th September 2022*

		As at 30th September 2022 <i>HK\$'000</i> (unaudited)	As at 31st March 2022 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		89,375	102,113
Investment properties		365,365	377,315
Financial assets at fair value through profit or loss		7,927	8,327
Equity instrument at fair value through other comprehensive income		2,355	2,350
Deferred tax assets		2,418	2,418
Deposits and other receivables	9	5,384	4,165
		<b>472,824</b>	<b>496,688</b>
<b>Current assets</b>			
Inventories		109,475	93,213
Trade and other receivables	9	56,479	72,316
Trading securities		13	20
Cash and cash equivalents		102,074	207,641
		<b>268,041</b>	<b>373,190</b>
<b>Current liabilities</b>			
Trade and other payables	10	82,644	93,565
Contract liabilities		1,351	2,526
Bank loans		134,880	172,480
Lease liabilities		24,232	29,127
Current income tax payable		15,708	14,505
		<b>258,815</b>	<b>312,203</b>
<b>Net current assets</b>		<b>9,226</b>	<b>60,987</b>
<b>Total assets less current liabilities</b>		<b>482,050</b>	<b>557,675</b>

		As at 30th September 2022 HK\$'000 (unaudited)	As at 31st March 2022 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Rental deposits received and receipt in advance		1,758	2,591
Deferred tax liabilities		24,788	29,115
Lease liabilities		41,975	57,497
		<u>68,521</u>	<u>89,203</u>
<b>Net assets</b>		<u><u>413,529</u></u>	<u><u>468,472</u></u>
<b>Capital and reserves</b>			
Share capital	11	149,424	149,424
Reserves		<u>264,110</u>	<u>319,053</u>
<b>Total equity attributable to the owners of the Company</b>		<b>413,534</b>	468,477
Non-controlling interests		<u>(5)</u>	<u>(5)</u>
<b>Total equity</b>		<u><u>413,529</u></u>	<u><u>468,472</u></u>

*Notes:*

## **1. GENERAL**

The Group is principally engaged in trading of watches and property leasing.

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

The unaudited condensed interim financial statements are presented in thousand of units of Hong Kong dollars (HK\$’000), unless otherwise stated, and have been approved for issue by the Board of Directors on 22nd November 2022.

## **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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements which are set out in note 3.

### 3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA to these interim financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*
- Amendments to HKFRS 3, *Reference to the Conceptual Framework*
- Amendments to HKFRSs, *Annual improvements to HKFRSs 2018-2020*

The application of the above amendments in the current interim period has had no material effect on the amounts reported in these condensed consolidated interim financial statements and/or disclosures set out in these condensed consolidated interim financial statements.

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

### 4. REVENUE AND SEGMENT INFORMATION

The Group manages its business by divisions. In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the chief operating decision makers (“CODM”) for the purposes of resource allocations and performance assessments. The Group has presented two reportable segments: (i) sale of watches 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 2022. 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 payable, 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 2022 (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	286,827	–	286,827	–	286,827
Over time	–	3,890	3,890	164	4,054
External revenue ( <i>Note</i> )	<u>286,827</u>	<u>3,890</u>	<u>290,717</u>	<u>164</u>	<u>290,881</u>
Operating profit/(loss)	41,255	(18,898)	22,357	(2,487)	19,870
Interest income	1,608	–	1,608	20	1,628
Other income, net	5,787	–	5,787	375	6,162
Finance costs	<u>(3,362)</u>	<u>–</u>	<u>(3,362)</u>	<u>(210)</u>	<u>(3,572)</u>
Segment results	<u>45,288</u>	<u>(18,898)</u>	<u>26,390</u>	<u>(2,302)</u>	24,088
Income tax expense					<u>(17,099)</u>
Profit for the period					<u>6,989</u>
Depreciation and amortisation	<u>(13,815)</u>	<u>(133)</u>	<u>(13,948)</u>	<u>(4)</u>	<u>(13,952)</u>

*Note:*

There were no inter-segment sales during the six months ended 30th September 2022.



As at 30th September 2022 (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>343,770</u>	<u>369,748</u>	<u>713,518</u>	<u>17,002</u>	730,520
Financial assets at fair value through profit or loss					7,927
Deferred tax assets					<u>2,418</u>
Total assets					<u>740,865</u>
Additions to non-current segment assets during the reporting period	<u>10,985</u>	<u>66</u>	<u>11,051</u>	<u>-</u>	<u>11,051</u>
Segment liabilities	<u>257,338</u>	<u>23,696</u>	<u>281,034</u>	<u>5,806</u>	286,840
Current income tax payable					15,708
Deferred tax liabilities					<u>24,788</u>
Total liabilities					<u>327,336</u>

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>	56,121
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 31st March 2022 (audited)

	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>459,088</u>	<u>382,247</u>	<u>841,335</u>	<u>17,798</u>	859,133
Financial assets at fair value through profit or loss					8,327
Deferred tax assets					<u>2,418</u>
Total assets					<u>869,878</u>
Additions to non-current segment assets during the reporting period	<u>61,162</u>	<u>15,659</u>	<u>76,821</u>	<u>528</u>	<u>77,349</u>
Segment liabilities	<u>331,372</u>	<u>21,119</u>	<u>352,491</u>	<u>5,295</u>	357,786
Current income tax payable					14,505
Deferred tax liabilities					<u>29,115</u>
Total liabilities					<u>401,406</u>

## Geographic Information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, 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
	2022	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China, excluding Hong Kong	285,799	420,345	82,991	90,657
Hong Kong (place of domicile)	4,584	9,525	254,235	257,681
United Kingdom	–	–	103,928	115,042
Switzerland	498	689	18,970	20,213
	<u>290,881</u>	<u>430,559</u>	<u>460,124</u>	<u>483,593</u>

## Information about major customers

For the six months ended 30th September 2022, no revenue from a single external customer contributed 10% or more of the total revenue of the Group.

For the six months ended 30th September 2021, revenue of approximately HK\$66,605,000 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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	1,822	1,060
Interest on lease liabilities	1,750	1,921
	<u>3,572</u>	<u>2,981</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>3,572</u>	<u>2,981</u>

(b) Other items

	Six months ended	
	30th September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange loss/(gain)	20,311	(243)
Amortisation of intangible assets	–	1
Depreciation charge		
– property, plant and equipment	1,334	2,151
– right-of-use assets	12,618	13,933
(Reversal of write-down)/write-down of inventories, net	(1,983)	151
Staff costs including directors' fees and emoluments	25,534	26,277
Cost of inventories recognised as expenses	195,950	319,178
Interest income on bank deposits	(1,622)	(713)
Gain on disposal of subsidiaries	–	(13,175)
Gain on disposal of financial assets at fair value through profit or loss	(30)	–
Change in fair value of an investment property classified as held for sale	–	6,745
	<u>          </u>	<u>          </u>

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

	Six months ended	
	30th September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
PRC Corporate Income Tax		
– Charge for the period	21,426	21,365
Deferred tax		
Origination and reversal of temporary differences	(4,327)	–
	<u>          </u>	<u>          </u>
	<u>17,099</u>	<u>21,365</u>

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2021: 16.5%). No Hong Kong Profits Tax has been provided for in the financial statements for the six months ended 30th September 2022 and 2021 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.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

The subsidiaries in Switzerland are subject to Switzerland Profits Tax at the rate of 16% (2021: 16%). No Switzerland Profits Tax has been provided for the six months ended 30th September 2022 and 2021 as the Group has no estimated assessable profits in Switzerland.

No income tax in United States of America (“USA”) has been provided for the six months ended 30th September 2022 and 2021 as the Group has no taxable income in USA.

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\$6,989,000 (2021: HK\$35,356,000) and the weighted average number of 747,123,000 ordinary shares (2021: 747,123,000 ordinary shares) in issue during the six months ended 30th September 2022.

### (b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share for the six months ended 30th September 2022 and 2021, as there is no dilutive potential ordinary share in issue during the period.

## 8. DIVIDENDS

### (a) Dividends payable to equity shareholders attributable to the interim period

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interim dividend declared after the interim period of HK\$Nil per ordinary share (2021: HK\$0.0536 per ordinary share)	–	40,046
	<u>          </u>	<u>          </u>

### (b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$0.0536 per ordinary share (2021: HK\$Nil per ordinary share)	40,046	–
	<u>          </u>	<u>          </u>

## 9. TRADE AND OTHER RECEIVABLES

	As at 30th September 2022 <i>HK\$'000</i> (unaudited)	As at 31st March 2022 <i>HK\$'000</i> (audited)
Trade receivables, net of loss allowance		
– Third parties	30,991	25,234
– Related parties	5,514	5,287
	<u>36,505</u>	<u>30,521</u>
Other receivables		
– Third parties	14,744	15,874
– Related parties	2,040	2,286
	<u>16,784</u>	<u>18,160</u>
Financial assets measured at amortised cost	53,289	48,681
Deposits and prepayments	8,574	27,800
	<u>61,863</u>	<u>76,481</u>
Analysed as:		
Non-current	5,384	4,165
Current	56,479	72,316
	<u>61,863</u>	<u>76,481</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 2022 <i>HK\$'000</i> (unaudited)	As at 31st March 2022 <i>HK\$'000</i> (audited)
Up to 90 days	30,863	24,467
91 to 180 days	18	1
181 to 365 days	–	611
Over 365 days	5,624	5,442
	<u>36,505</u>	<u>30,521</u>

## 10. TRADE AND OTHER PAYABLES

	As at 30th September 2022 <i>HK\$'000</i> (unaudited)	As at 31st March 2022 <i>HK\$'000</i> (audited)
Trade payables		
– Third parties	1,979	5,432
– Related parties	106	–
	<u>2,085</u>	<u>5,432</u>
Other payables and accrued charges	<u>25,706</u>	<u>24,473</u>
Financial liabilities measured at amortised cost	27,791	29,905
Deposits received	2,341	4,115
Rental received in advance	92	92
Other tax payable	<u>52,420</u>	<u>59,453</u>
	<u><u>82,644</u></u>	<u><u>93,565</u></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 2022 <i>HK\$'000</i> (unaudited)	As at 31st March 2022 <i>HK\$'000</i> (audited)
Up to 90 days	525	1,535
91 to 180 days	51	–
181 to 365 days	–	–
Over 365 days	<u>1,509</u>	<u>3,897</u>
	<u><u>2,085</u></u>	<u><u>5,432</u></u>



## 11. SHARE CAPITAL

	<b>Nominal value per share</b> <i>HK\$</i>	<b>Number of shares</b> <i>'000</i> (unaudited)	<b>Amount</b> <i>HK\$'000</i> (unaudited)
Authorised:			
At 1st April 2021, 31st March 2022, 1st April 2022 and 30th September 2022	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 2021, 31st March 2022, 1st April 2022 and 30th September 2022	0.2	747,123	149,424
	<u>0.2</u>	<u>747,123</u>	<u>149,424</u>

## 12. PLEDGE OF ASSETS

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

	<b>As at 30th September 2022</b> <i>HK\$'000</i> (unaudited)	<b>As at 31st March 2022</b> <i>HK\$'000</i> (audited)
Investment properties	<u>339,878</u>	<u>350,992</u>

### 13. COMMITMENTS

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

(a) *Capital commitments*

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

	As at 30th September 2022 HK\$'000 (unaudited)	As at 31st March 2022 HK\$'000 (audited)
Contracted for:		
Property, plant and equipment	3,544	–
Construction work for properties	5,560	11,637
	<u>9,104</u>	<u>11,637</u>

(b) *Operating lease commitments – as lessor*

Undiscounted lease payments receivable on leases are as follows:

	As at 30th September 2022 HK\$'000 (unaudited)	As at 31st March 2022 HK\$'000 (audited)
Not later than one year	5,957	6,490
Later than one year and not later than five years	10,586	13,365
	<u>16,543</u>	<u>19,855</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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Interim Review**

For the six months ended 30th September 2022, the Group's revenue amounted to HK\$291 million, representing a drop of 32% (2021: decrease of 10%) from HK\$431 million in the same period of last year was mainly due to the termination of the watches wholesale business in July 2021 and the drop in watches sales following the lockdowns in China during this period. Sales for this period in Hong Kong and China amounted to HK\$5 million and HK\$286 million, representing a decrease of 52% and 32% respectively as compared with the corresponding period last year. Gross profit margin increased by 7% to 33% during this period was due to improvement in product mix with higher gross profit margin.

Distribution costs decreased by 17% to HK\$44 million during this period as compared with the same period last year of HK\$53 million. The decrease was mainly due to the reduction in consultancy fee, amortization charges, other taxation charges, rental expenses and staff costs.

Administrative expenses this period amounting to HK\$33 million, representing an increase of 120% as compared to those last period of HK\$15 million. Such increase was mainly due to a loss of about HK\$18 million as a result of the impact from the depreciation of Great British Pounds in which the Group's investment properties in the United Kingdom are denominated in the current period.

Finance costs increased slightly to HK\$4 million this period was due to the increase in interest in bank borrowings.

Other income amounted to HK\$6 million this period, representing mainly the government subsidies received by the Group. In the same period of last year, the Group had a minimal amount of other income.

As a result of the above, the Group achieved a net profit of HK\$7 million this period as compared with a net profit of HK\$35 million in the same period of last year.

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

As at 30th September 2022, the Group's total cash balance amounted to HK\$102 million (31st March 2022: HK\$208 million). The decrease was mainly due to the repayment of bank loan and payment of dividend during the period. Bank loans amounted to HK\$135 million as of 30th September 2022 (HK\$172 million as of 31st March 2022). The bank loans were secured by (i) pledged of investment properties of HK\$340 million; (ii) corporate guarantees given by the Company; (iii) subordination of the payables to the group companies owned by a subsidiary of the Company as the loan borrower and (iv) assignment of rental income from certain investment properties. Gearing ratio of the Group, expressed as a ratio of total borrowings over total equity, was 33% as at 30th September 2022 (31st March 2022: 37%).

### ***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 future prospect of the business in these stores will depend on the control of the COVID-19 pandemic in China, though the demand for luxury watches is still strong.

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 via the acquisition of two well located West London properties several years ago. The renovation for one property has been completed and the Group is now examining the current market conditions in order to realize a strategy which is in line with the shareholders’ best interests. Meanwhile construction on the second property continues to progress favourably on schedule and on budget.

The Group is determined to increase 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 2022 except for the deviation from the Code Provisions C.2.1 to C.2.9, C.3.3 and those disclosed below:

In respect of Code Provisions C.2.1 to C.2.9 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. 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. On 30th June 2022, Ms. Lam Kim Phung was appointed as a non-executive Director of the Company, the Chairman of the Board and the chairman of the Nomination Committee of the Company. Thereafter, the Company has fully complied with the Code Provisions C.2.1 to C.2.9 of the Code.

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 as director 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 at the annual general meeting.

Code Provision C.3.3 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 appointments of Mr. Kee Wah Sze as an independent non-executive Director of the Company in August 2020 and the appointment of Ms. Lam Kim Phung as a non-executive Director of the Company, the Chairman of the Board and the chairman of the Nomination Committee of the Company in June 2022, 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.

Rule 3.27A of the Listing Rules provides that an issuer must establish a nomination committee 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. On 30th June 2022, Ms. Lam Kim Phung was appointed as a non-executive Director of the Company, the Chairman of the Board and the chairman of the Nomination Committee, and thereafter, the Company has fully complied with the Rule 3.27A of the Listing Rules.

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 resolved not to declare an interim dividend in respect of the six months ended 30th September 2022 (2021: HK\$0.0536 per ordinary share).

### **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 2022.

### **Employees and Remuneration Policy**

There were 109 employees in the Group as at 30th September 2022. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses are offered to motivate employees.

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

Hong Kong, 22nd November 2022

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

\* *For identification purpose only*