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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 ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2018

FINANCIAL HIGHLIGHTS

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>	Change <i>%</i>
Operations			
Revenue	991	850	17
Profit attributable to owners of the Company	63	31	103
Earnings per share – Basic	4.02 HK cents	1.99 HK cents	102
Interim dividend declared and paid	–	–	–
Final dividend proposed after the end of the reporting period	20	–	N/A
Special dividend proposed after the end of the reporting period	20	–	N/A
	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>	Change <i>%</i>
Financial position			
Total assets	657	688	(5)
Equity attributable to owners of the Company	503	430	17

The Board of Directors (the “Board”) of Asia Commercial Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2018 together with the comparative figures for 2017. The financial information set out in this announcement does not constitute the Group’s statutory financial statements for the year ended 31st March 2018 but represents an extract from those financial statements. The financial information has been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March

	Notes	2018 HK\$’000	2017 HK\$’000
Revenue	2	991,429	850,218
Cost of sales		<u>(768,998)</u>	<u>(662,099)</u>
Gross profit		222,431	188,119
Valuation gains on investment properties		8,509	25,094
Other revenue	2	20,311	21,392
Other net gains	2	7,981	1,361
Distribution costs		(171,897)	(172,000)
Administrative expenses		(32,427)	(28,589)
Finance costs	4(a)	<u>(1,905)</u>	<u>(4,273)</u>
Profit before taxation	4	53,003	31,104
Income tax	5	<u>9,935</u>	<u>—</u>
Profit for the year attributable to the owners of the Company		<u>62,938</u>	<u>31,104</u>
Earnings per share	7		
Basic (<i>HK cents</i>)		<u>4.02</u>	<u>1.99</u>
Diluted (<i>HK cents</i>)		<u>4.02</u>	<u>1.99</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year	62,938	31,104
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	11,968	(6,877)
Realisation of exchange reserve upon deregistration of a subsidiary	(3,122)	–
Change in fair value reserve on revaluation of available-for-sale investments	<u>1,157</u>	<u>(170)</u>
Total other comprehensive income/(loss) for the year, net of nil tax	<u>10,003</u>	<u>(7,047)</u>
Total comprehensive income for the year attributable to the owners of the Company	<u>72,941</u>	<u>24,057</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment		19,997	20,135
Prepaid lease payments		17,272	16,084
Investment properties		290,224	278,176
Available-for-sale investments		8,657	7,500
Rental deposits and prepayments		20,981	20,853
Deferred tax assets		17,188	—
		374,319	342,748
Current assets			
Inventories		153,433	280,963
Prepaid lease payments		498	451
Trade and other receivables	8	35,653	36,652
Trading securities		715	703
Structured deposit		12,462	—
Fixed deposit matured over 3 months		12,462	—
Cash and cash equivalents		67,163	26,229
		282,386	344,998
Current liabilities			
Trade and other payables	9	100,943	113,808
Bank loans		14,352	102,265
Loans from a director		—	8,000
Current income tax payable		5,074	3,345
		120,369	227,418
Net current assets		162,017	117,580
Total assets less current liabilities		536,336	460,328
Non-current liabilities			
Rental deposits received and receipt in advance		3,355	2,683
Deferred tax liabilities		19,109	13,309
Other liabilities		11,099	14,504
		33,563	30,496
Net assets		502,773	429,832
Capital and reserves			
Share capital		313,373	313,373
Reserves		189,400	116,459
Equity attributable to owners of the Company		502,773	429,832

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICY

The annual results of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. These annual results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The annual results have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale investments, trading securities and structured deposits, which are carried at fair value, and in accordance with HKFRSs.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in annual report upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

2. REVENUE, OTHER REVENUE AND OTHER NET GAINS

Revenue

Revenue represents (i) the gross proceeds received and receivable derived from the sale of watches, less the value added tax, other sales taxes and trade discounts and (ii) rental income from property leasing.

	2018 HK\$'000	2017 HK\$'000
Sales of watches	982,675	842,304
Rental income from investment properties	8,754	7,914
	<u>991,429</u>	<u>850,218</u>

Other Revenue

	2018 HK\$'000	2017 HK\$'000
Bank interest income	<u>237</u>	<u>112</u>
Total interest income on financial assets not at fair value through profit or loss	237	112
Dividend income	99	–
Promotion income	4,913	5,207
Advertising income	4,397	5,409
Customer services income and others	<u>10,665</u>	<u>10,664</u>
	<u>20,311</u>	<u>21,392</u>

Other Net Gains

	2018 HK\$'000	2017 HK\$'000
Net realised and unrealised (loss)/gain on trading securities	(120)	14
Compensation received upon the closure of a shop	2,721	–
Impairment loss on trade receivables	–	(59)
Impairment loss on other receivables and prepayments	(2,542)	–
Gain on disposals of property, plant and equipment	520	–
Gain on deregistration of a subsidiary (<i>note</i>)	3,122	–
Write back of long outstanding payables	3,988	–
Others	<u>292</u>	<u>1,406</u>
	<u>7,981</u>	<u>1,361</u>

Note:

沈陽遭灣拿鐘錶珠寶有限公司 (the “deregistered entity”), which was a wholly owned subsidiary of the Group and was engaged in the trading of watches in the PRC, was deregistered during the year ended 31st March 2018. The gain on deregistration amounting to approximately HK\$3,122,000 represented the exchange reserve arisen from translating the assets and liabilities of the deregistered entity into the presentation currency of the Group and was reclassified to profit or loss upon the deregistration. No cash flow effects resulted at the date of deregistration.

3. SEGMENT REPORTING

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 maker (“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 note to the financial statements. 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 the 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 amortization 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, 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:

	2018				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
External revenue (<i>Note</i>)	982,675	8,754	991,429	–	991,429
Operating profit/(loss)	38,226	7,344	45,570	(7,389)	38,181
Valuation gains on investment properties	–	8,509	8,509	–	8,509
Interest income	237	–	237	–	237
Other net gains	8,101	–	8,101	(120)	7,981
Finance costs	(1,905)	–	(1,905)	–	(1,905)
Segment results	44,659	15,853	60,512	(7,509)	53,003
Income tax credit					9,935
Profit for the year					62,938
Write-down of inventories	(47,819)	–	(47,819)	–	(47,819)
Gain on deregistration of a subsidiary	3,122	–	3,122	–	3,122
Write back of long outstanding payables	3,988	–	3,988	–	3,988
Impairment loss of other receivables and prepayments	(2,542)	–	(2,542)	–	(2,542)
Net realised and unrealised loss on trading securities	–	–	–	(120)	(120)
Depreciation and amortisation	(2,914)	(233)	(3,147)	(358)	(3,505)
Income tax expenses	(1,453)	–	(1,453)	–	(1,453)
Deferred tax	11,388	–	11,388	–	11,388
Segment assets	303,921	294,689	598,610	32,250	630,860
Available-for-sale investments					8,657
Deferred tax assets					17,188
Total assets					656,705
Additions to non-current segment assets during the reporting period	3,970	71	4,041	–	4,041
Segment liabilities	116,782	9,274	126,056	3,693	129,749
Current income tax payable					5,074
Deferred tax liabilities					19,109
Total liabilities					153,932

Note: There were no inter-segment sales during the year ended 31st March 2018.

	2017				
	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>
External revenue (<i>Note</i>)	842,304	7,914	850,218	–	850,218
Operating profit/(loss)	8,309	6,838	15,147	(6,337)	8,810
Valuation gains on investment properties	–	25,094	25,094	–	25,094
Interest income	112	–	112	–	112
Other net gains	1,347	–	1,347	14	1,361
Finance costs	(4,273)	–	(4,273)	–	(4,273)
Segment results	5,495	31,932	37,427	(6,323)	31,104
Income tax					–
Profit for the year					31,104
Write-down of inventories	(7,588)	–	(7,588)	–	(7,588)
Impairment loss of trade receivables	(59)	–	(59)	–	(59)
Net realised and unrealised gain on trading securities	–	–	–	14	14
Depreciation and amortisation	(5,481)	(243)	(5,724)	(89)	(5,813)
Segment assets	394,848	279,410	674,258	5,988	680,246
Available-for-sale investments					7,500
Total assets					687,746
Additions to non-current segment assets during the reporting period	3,013	7	3,020	1,788	4,808
Segment liabilities	229,149	8,638	237,787	3,473	241,260
Current income tax payable					3,345
Deferred tax liabilities					13,309
Total liabilities					257,914

Note: There were no inter-segment sales during the year ended 31st March 2017.

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, prepaid lease payments, investment properties and rental 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
The People's Republic of China, excluding Hong Kong	365,214	378,939	66,803	62,457
Hong Kong (place of domicile)	625,194	470,140	266,180	260,233
Switzerland	1,021	1,139	15,491	12,558
	<u>991,429</u>	<u>850,218</u>	<u>348,474</u>	<u>335,248</u>

Information about major customers

For the year ended 31st March 2018, revenue of approximately HK\$115,267,000 (2017: HK\$151,156,000) was derived from a single external customer who contributed more than 10% of total revenue of the Group. This revenue was attributable to the sales of watches segment.

4. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	1,745	3,005
Interest on loans from a director	<u>160</u>	<u>1,268</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>1,905</u>	<u>4,273</u>

(b) Staff costs

	2018 HK\$'000	2017 HK\$'000
Salaries, wages and other benefits (including directors' fee and emoluments)	57,784	46,987
Retirement benefits scheme contribution	4,110	4,018
	61,894	51,005

(c) Other items

	2018 HK\$'000	2017 HK\$'000
Rental receivable from investment properties less direct outgoings of HK\$408,000 (2017: HK\$359,000)	(8,346)	(7,555)
Net exchange loss	308	426
Auditors' remuneration		
Audit services	1,230	1,180
Other services	329	314
Depreciation for property, plant and equipment	3,032	5,354
Amortisation of prepaid lease payments	473	459
Write down of inventories	47,819	7,588
Impairment loss on trade receivables	–	59
Impairment loss on other receivables and prepayments	2,542	–
Write back of long outstanding payables	(3,988)	–
Operating lease rentals in respect of rented premises		
– Minimum rentals	86,501	99,375
– Contingent rentals	1,235	3,452
	87,736	102,827
Cost of inventories recognised as expenses	768,998	662,099

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Current tax		
PRC Corporate Income Tax		
– Charge for the year	1,453	–
Deferred tax		
Origination and reversal of temporary differences	(11,388)	–
	<u>(9,935)</u>	<u>–</u>

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2017: 16.5%). No Hong Kong Profits Tax has been provided for in the financial statements for the years ended 31st March 2018 and 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.

Taxation for the PRC subsidiaries is provided at the rate of 25% (2017: 25%). No PRC income tax has been provided for in the financial statements for the year ended 31st March 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.

The subsidiary in Switzerland is subject to Switzerland Profits Tax at the rate of 16% (2017: 16%). No Switzerland Profits Tax has been provided for the years ended 31st March 2018 and 2017 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.

6. DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Final dividend proposed after the end of the reporting period of HK\$0.0128 (2017: HK\$Nil) per share	20,056	–
Special dividend proposed after the end of the reporting period of HK\$0.0128 (2017: HK\$Nil) per share	20,056	–
	<u>40,112</u>	<u>–</u>

The distribution of the final dividend and special dividend are subject to the shareholders' approvals and the completion of capital reorganisation as disclosed in the Company's announcement dated 11th May 2018. The final dividend and special dividend would be distributed out of contributed surplus after the capital reorganisation. The final dividend and special dividend declared or proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

No interim dividend was paid for the year ended 31 March 2017. The directors do not propose any payment of final dividend for the year ended 31st March 2017.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the years ended 31st March 2018 and 2017 are based on the profit attributable to the owners of the Company of HK\$62,938,000 and HK\$31,104,000, respectively, and the weighted average number of 1,566,866,000 ordinary shares in issue during the years ended 31st March 2018 and 2017.

(b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share for the years ended 31st March 2018 and 2017.

The Company's share options have no dilutive effect for the years ended 31st March 2018 and 2017 because the exercise price of the Company's share options was higher than the average market price of the Company's shares for both years.

8. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables		
– Third parties	20,487	15,459
– Related parties	2,366	2,841
	22,853	18,300
Allowance for doubtful debts	(1,230)	(2,464)
	21,623	15,836
Other receivables		
– Third parties	2,836	7,368
– Related parties	4,832	1,033
	7,668	8,401
Loans and receivables	29,291	24,237
Deposits and prepayments	6,362	12,415
	35,653	36,652

The carrying amounts of the Group's trade and other receivables at 31st March 2018 and 2017 approximate their fair values.

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Aging analysis

The Group allows credit period of up to 180 days to its customers. The aging analysis of the trade receivables of HK\$21,623,000 (2017: HK\$15,836,000) at the end of the reporting period based on invoice date and net of allowance for doubtful debt is as follows:

	2018 HK\$'000	2017 HK\$'000
Up to 90 days	18,996	13,636
91 to 180 days	676	623
181 to 365 days	1,010	1,054
Over 365 days	941	523
	21,623	15,836

9. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables		
– Third parties	5,656	14,703
– Related parties	8	16
	5,664	14,719
Other payables and accrued charges	35,016	37,439
Accrued interest to a director	160	–
	40,840	52,158
Financial liabilities measured at amortised cost		
Rental received in advance	94	90
Deposits received	3,913	4,063
Other tax payable	56,096	57,497
	100,943	113,808

The carrying amounts of the Group's trade and other payables at 31st March 2018 and 2017 approximate their fair values.

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The carrying amounts of the trade payables of the Group are mainly denominated in Renminbi and Hong Kong dollars.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Up to 90 days	2,030	11,457
91 to 180 days	13	39
181 to 365 days	119	–
Over 365 days	3,502	3,223
	<u>5,664</u>	<u>14,719</u>

10. PLEDGE OF ASSETS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Land and buildings	11,901	14,045
Prepaid lease payments	–	16,535
Investment properties	227,180	251,162
Inventories	43,322	81,814
	<u>282,403</u>	<u>363,556</u>

11. EVENTS AFTER THE REPORTING PERIOD

i) Proposed capital reorganisation

Pursuant to the board resolutions passed on a board meeting held on 11th May 2018, the directors of the Company proposed a capital reorganisation in respect of share consolidation, capital reduction, capital increase, share premium account reduction and transfer of credit to the contributed surplus. Details please refer to the Company's announcement dated 11th May 2018.

ii) Acquisition of a property

On 1st June 2018, a subsidiary of the Company (the "Subsidiary") entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party (the "Vendor") pursuant to which the Subsidiary agreed to buy and the Vendor agreed to sell a residential apartment located in London, the United Kingdom (the "Property") at a cash consideration of £3,000,000 (approximately HK\$31,230,000) for investment purpose. The acquisition was completed on 15th June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the year amounted to HK\$991 million which was 17% higher than HK\$850 million of last year. The "Sale of watches" segment continued to play a key role this year which increased its revenue by 17% to HK\$983 million. Average same store sales in this year in Hong Kong increased by 61% and decreased by 7% in China respectively as compared with last year. On the other hand, the business in the "Properties leasing" segment remained stable and derived a revenue of HK\$9 million during the year.

The total number of stores is as below:

	As at 31st March 2018	As at 31st March 2017
Beijing	2	3
Shanghai	3	3
Shenyang	–	1
Chengdu	2	2
Hong Kong	1	1
	<u>8</u>	<u>10</u>

Financial Review

Results review

For the year ended 31 March 2018, the Group's revenue amounted to HK\$991 million, representing an increase of 17% (2017: increase of 2%) from HK\$850 million in last year. The increase was mainly driven by the substantial increase in revenue in Hong Kong of 33% as compared with last year. On the other hand, the revenue in China dropped slightly by 4% in this year. Gross profit margin maintained at 22% which was the same as last year despite the fact that provision for obsolete inventories was made as a result of the closure of a shop in China and the termination of the business relationship with retailers in China of a brand owned by the Group.

Distribution costs amounted to HK\$172 million in this year which was comparable to those of last year as the reduction in rental expenses was offset by the increase in staff related expenses and entertainment charges as a result of the increase in sales activities. Administrative expenses increased slightly by 10% to HK\$32 million as compared with last year was due to the increase in staff related expenses and bank charges as a result of the increase in sales activities.

Valuation gains on investment properties amounted to HK\$9 million in this year were mainly derived from properties in Hong Kong.

Finance costs dropped to HK\$2 million in this year because of the decrease in borrowings.

Liquidity, financial resources and capital structure

As at 31st March 2018, the Group's total cash balance (including short-term deposits and structured deposits) amounted to HK\$92 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 3% as at 31st March 2018 (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 net profit of HK\$63 million in this year as compared with a net profit of HK\$31 million in last year.

The Group operates 8 stores in Hong Kong and China. The Group remained focus on its core stores and has streamlined their operating costs during the year 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 was improving in Hong Kong and but that in China still remained stagnant 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. Looking ahead, the improving sentiment in Hong Kong as a result of the increase in tourist and local spending will be a positive sign for the Group's business in Hong Kong.

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 in which the key investment properties are located in Hong Kong. In June 2018, with a view to enhance and diversify its existing portfolio, the Group has acquired a renowned residential flat in London.

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 PRACTICES

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 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the year ended 31st March 2018 except for the deviation from the code provisions A.1.1, 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; and (iii) any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office until the next following general meeting, instead of the next annual general meeting.

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

Code provision A.1.1 provides that regular board meetings should be held at least four times a year but only three regular board meetings were held during the year instead. The Board will improve this meeting arrangement to comply with this provision in the future.

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 year, 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. 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. 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.

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

All Directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the year under review.

OTHER INFORMATION

Final Dividend and Special Dividend

The Directors have proposed a final dividend of HK\$0.0128 per share for the year ended 31st March 2018 (2017: HK\$Nil). In addition, as disclosed in the Company's announcement dated 11th May 2018, the Directors have proposed a special dividend of HK\$0.0128 per share in relation to the capital reorganisation exercise. Both the final dividend and the special dividend are subject to the completion of the capital reorganisation.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange during the year.

Employees and Remuneration Policy

There were 153 employees in the Group as at 31st March 2018. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses and shares under share award plan are offered to motivate employees.

Closure of Register of Members

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Thursday, 27th September 2018, the register of members of the Company will be closed from Friday, 21st September 2018 to Thursday, 27th September 2018, both days inclusive. In order to be eligible to attend and vote at the Annual General Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20th September 2018.

Subject to the completion of the capital reorganization and approval of the shareholders at the forthcoming Annual General Meeting to be held on Thursday, 27th September 2018, the proposed final dividend will be payable on Tuesday, 23rd October 2018 to the shareholders whose names appear on the register of members of the Company on Monday, 8th October 2018. To ascertain shareholders' entitlements to the final dividend, the register of members of the Company will be closed from Friday, 5th October 2018 to Monday, 8th October 2018, both days inclusive. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4th October 2018.

Audit Committee

The Audit Committee is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board. All the members of our Audit Committee are independent non-executive Directors.

Scope of work of Crowe (HK) CPA Limited

Crowe Horwath (HK) CPA Limited has changed its name to Crowe (HK) CPA Limited. Accordingly, the independent auditor's report is now signed under the new name.

The figures in respect of the announcement of the Group's results for the year ended 31st March 2018 have been agreed by the Group's auditor, Crowe (HK) CPA Limited to the amounts set out in the Group's audited financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the announcement.

EXPRESSION OF GRATITUDE

The Board would like to take this opportunity to express its gratitude to all staff members, shareholders, bankers, customers, suppliers and professional advisors for the sincere support to the Group.

By order of the Board
Asia Commercial Holdings Limited
Eav Yin
Chairman

Hong Kong, 27th June 2018

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

* *For identification purpose only*