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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 2020

#### FINANCIAL HIGHLIGHTS

	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	Change %
<b>Operations</b>			
Revenue	800	935	(14)
(Loss)/profit attributable to owners of the Company	(146)	70	N/A
(Loss)/earnings per share – Basic	(19.56) HK cents	9.03 HK cents	N/A
Interim dividend declared and paid	–	–	–
Final dividend proposed after the end of the reporting period	–	19	–
Special dividend proposed after the end of the reporting period	–	–	–
	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	Change %
<b>Financial position</b>			
Total assets	807	816	(1)
Equity attributable to owners of the Company	343	523	(34)

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 2020 together with the comparative figures for 2019. The financial information set out in this announcement does not constitute the Group’s statutory financial statements for the year ended 31st March 2020 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	2020 HK\$’000	2019 HK\$’000
<b>Revenue</b>	2	<b>800,051</b>	934,520
Cost of sales		<u>(601,270)</u>	<u>(650,214)</u>
<b>Gross profit</b>		<b>198,781</b>	284,306
Valuation (loss)/gains on investment properties		(17,400)	781
Other revenue	2	15,599	21,590
Other net gains	2	6,234	69
Impairment loss on goodwill		(19,895)	–
Impairment loss on right-of-use asset		(96,894)	–
Impairment loss on property, plant and equipment		(6,028)	–
Distribution costs		(161,334)	(176,548)
Administrative expenses		(47,093)	(41,166)
Finance costs	4(a)	<u>(14,240)</u>	<u>(1,700)</u>
<b>(Loss)/profit before taxation</b>	4	<b>(142,270)</b>	87,332
Income tax	5	<u>(6,452)</u>	<u>(16,870)</u>
<b>(Loss)/profit for the year attributable to the owners of the Company</b>		<u><b>(148,722)</b></u>	<u>70,462</u>
<b>Attributable to:</b>			
Owners of the Company		(146,174)	70,462
Non-controlling interest		<u>(2,548)</u>	<u>–</u>
		<u><b>(148,722)</b></u>	<u>70,462</u>
<b>(Loss)/earnings per share</b>	7		
Basic (HK cents)		<u><b>(19.56)</b></u>	<u>9.03</u>
Diluted (HK cents)		<u><b>(19.56)</b></u>	<u>9.03</u>

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

*For the year ended 31st March*

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>(Loss)/profit for the year</b>	<b>(148,722)</b>	70,462
<b>Other comprehensive (loss)/income for the year</b>		
Items that will not be reclassified to profit or loss:		
Change in fair value of equity instruments at fair value through other comprehensive income	—	684
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<b>(6,200)</b>	(8,061)
Release of fair value reserve upon disposal of equity instruments at fair value through other comprehensive income	<b>(8,113)</b>	—
Total other comprehensive loss for the year, net of nil tax	<b>(14,313)</b>	(7,377)
<b>Total comprehensive (loss)/income for the year</b>	<b>(163,035)</b>	63,085
<b>Attributable to:</b>		
Owners of the Company	<b>(160,487)</b>	63,085
Non-controlling interest	<b>(2,548)</b>	—
	<b>(163,035)</b>	63,085

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31st March*

		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>12,492</b>	25,539
Prepaid lease payments		<b>–</b>	15,736
Investment properties		<b>343,772</b>	362,776
Deposits and prepayments	8	<b>18,410</b>	29,048
Equity instruments at fair value through other comprehensive income		<b>–</b>	9,063
Goodwill		<b>–</b>	–
Financial assets at fair value through profit or loss		<b>14,133</b>	15,097
Deferred tax assets		<b>2,418</b>	2,418
Intangible assets		<b>276</b>	–
Right-of-use assets		<b>93,827</b>	–
		<b>485,328</b>	459,677
<b>Current assets</b>			
Inventories		<b>195,992</b>	196,517
Prepaid lease payments		<b>–</b>	467
Trade and other receivables	8	<b>46,942</b>	57,408
Trading securities		<b>382</b>	598
Income tax recoverable		<b>9,016</b>	–
Structured deposit		<b>–</b>	31,568
Cash and cash equivalents		<b>69,121</b>	69,990
		<b>321,453</b>	356,548
<b>Current liabilities</b>			
Trade and other payables	9	<b>98,587</b>	122,415
Contract liabilities		<b>1,224</b>	1,404
Bank loans		<b>161,403</b>	130,741
Current income tax payable		<b>4,875</b>	4,851
Lease liabilities		<b>77,425</b>	–
		<b>343,514</b>	259,411
<b>Net current (liabilities)/assets</b>		<b>(22,061)</b>	97,137
<b>Total assets less current liabilities</b>		<b>463,267</b>	556,814

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Rental deposits received and receipt in advance		<b>2,355</b>	3,111
Deferred tax liabilities		<b>23,657</b>	21,209
Other liabilities		–	9,397
Lease liabilities		<b>95,846</b>	–
		<b>121,858</b>	33,717
<b>Net assets</b>		<b>341,409</b>	523,097
<b>Capital and reserves</b>			
Share capital		<b>149,424</b>	149,424
Reserves		<b>194,060</b>	373,673
<b>Equity attributable to owners of the Company</b>		<b>343,484</b>	523,097
<b>Non-controlling interests</b>		<b>(2,075)</b>	–
<b>Total equity</b>		<b>341,409</b>	523,097

*Notes:*

## **1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

### **a) Statement of compliance**

These financial statements 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### **b) Basis of Preparation of the financial statements**

The consolidated financial statements for the year ended 31st March 2020 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment property, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest; and
- equity investments

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amount of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Going concern basis*

During the year ended 31st March 2020, the Group incurred a consolidated loss of HK\$148,722,000 (2019: consolidated profit of HK\$70,462,000). As at 31st March 2020, the Group had net current liabilities of HK\$22,061,000 (2019: net current assets of HK\$97,137,000).

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

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

- negotiating with banks for renewal and obtaining new banking facilities;
- the directors of the Company have been taking various cost control measures to tighten the costs of operations; and
- the Group has been implementing various strategies to enhance the Group's turnover.

The directors have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. The directors are of the opinion that the Group will be able to generate sufficient working capital to finance its operations and meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

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

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

### **c) Application of new and amendments to HKFRSs**

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for HKFRS 16 "Leases", none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## **HKFRS 16 Leases**

HKFRS 16 replaces HKAS 17 “Leases”, and the related interpretations, HK(IFRIC) 4 “Determining whether an Arrangement contains a Lease”, HK(SIC) 15 “Operating Leases – Incentives”, and HK(SIC) 27 “Evaluating the Substance of Transactions involving the Legal Form of a Lease”. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1st April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

### ***a. New definition of a lease***

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1st April 2019. For contracts entered into before 1st April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

### ***b. Lessee accounting and transitional impact***

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.



At the date of transition to HKFRS 16 (i.e. 1st April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1st April 2019.

The incremental borrowing rates used for determination of the present value of the remaining lease payments were 4.26% to 5.46%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- i. the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31st March 2020;
- ii. when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a economic environment); and
- iii. when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31st March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31st March 2019 to the opening balance for lease liabilities recognised as at 1st April 2019.

	<b>1st April 2019</b> <i>HK\$'000</i>
Operating lease commitments at 31st March 2019	256,986
Less: commitments relating to leases exempt from capitalisation:	
– Short-term lease and other leases with remaining lease term ending on or before 31st March 2020	(5,199)
Less: total future interest expenses	<u>(17,616)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1st April 2019	<u><u>234,171</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31st March 2019. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31st March 2019 <i>HK\$'000</i>	Capitalisation of operating lease contracts <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Carrying amount at 1st April 2019 <i>HK\$'000</i>
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>				
Right-of-use assets	–	219,784	32,556	252,340
Property, plant and equipment	–	–	(16,353)	(16,353)
Prepaid lease payments	15,736	–	(15,736)	–
<b>Total non-current assets</b>	<b>459,677</b>	<b>219,784</b>	<b>467</b>	<b>679,928</b>
Prepaid lease payments	467	–	(467)	–
<b>Total current assets</b>	<b>356,548</b>	<b>–</b>	<b>(467)</b>	<b>356,081</b>
Lease liabilities (current)	–	70,447	–	70,447
Trade and other payables	122,415	(4,990)	–	117,425
<b>Current liabilities</b>	<b>259,411</b>	<b>65,457</b>	<b>–</b>	<b>324,868</b>
<b>Net current assets</b>	<b>97,137</b>	<b>(65,457)</b>	<b>(467)</b>	<b>31,213</b>
<b>Total assets less current liabilities</b>	<b>556,814</b>	<b>154,327</b>	<b>–</b>	<b>711,141</b>
Lease liabilities (non-current)	–	163,724	–	163,724
Other liabilities	9,397	(9,397)	–	–
<b>Total non-current liabilities</b>	<b>33,717</b>	<b>154,327</b>	<b>–</b>	<b>188,044</b>
<b>Net assets</b>	<b>523,097</b>	<b>–</b>	<b>–</b>	<b>523,097</b>

c) **Impact on the financial result, segment results and cash flows of the Group**

After the initial recognition of right-of-use assets and lease liabilities as at 1st April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31st March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020			2019
		Add back:	Deduct:	
		HKFRS 16	Estimated	Compared to
		depreciation	amounts related	amounts
		and interest	to operating	reported for
Amounts	reported under	expense	lease as if	2019
HKFRS 16	HKFRS 16	under HKAS 17	as if under	as if under
(A)	(B)	(C)	HKAS 17	HKAS 17
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial result for year ended				
31st March 2020 impacted				
by the adoption of HKFRS 16:				
Finance costs	(14,240)	9,334	(79,979)	(84,885)
(Loss)/profit before taxation	(142,270)	79,053	(79,979)	(143,196)
(Loss)/profit for the year	(148,722)	79,053	(79,979)	(149,648)
Reportable segment (loss)/profit				
for year ended 31st March 2020				
impacted by the adoption of				
HKFRS 16:				
Sales of watches	(87,693)	79,053	(79,979)	(88,619)
Total	(106,322)	79,053	(79,979)	(107,248)

	2020		2019
	Estimated amounts related to operating leases as if under HKFRS 16 (A) HK\$'000	Hypothetical amounts for the year ended 31st March 2020 as if under HKAS 17 (B) HK\$'000	Compared to amounts reported for 2019 as if under HKAS 17 (C=A+B) HK\$'000
<b>Line items in the consolidated statement of cash flows for year ended 31st March 2020 impacted by the adoption of HKFRS 16:</b>			
Cash generated from operations	75,028	(79,979)	(4,951)
<b>Net cash generated from operating activities</b>	<b>62,263</b>	<b>(79,979)</b>	<b>(17,716)</b>
Capital element of lease rentals paid	(70,645)	70,645	–
Interest element of lease rentals paid	(9,334)	9,334	–
<b>Net cash generated from/(used in) financing activities</b>	<b>(53,703)</b>	<b>79,979</b>	<b>26,276</b>

*Note 1:* The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

*Note 2:* In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

## 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of watches	784,897	925,442
– Service income	–	285
– Gourmet income	5,048	–
Revenue from other sources		
– Rental income from investment properties	10,106	8,793
	<b>800,051</b>	<b>934,520</b>

### Other Revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income on financial assets measured at amortised cost	1,035	1,239
Dividend income	1	1
Promotion income	–	3,190
Advertising income	3,143	4,953
Customer services income and others	11,420	12,207
	<b>15,599</b>	<b>21,590</b>

## Other Net Gains

	2020 HK\$'000	2019 HK\$'000
Net realised and unrealised loss on trading securities	(216)	(117)
Profit on disposal of equity investment	6,050	–
Impairment loss on trade receivables	–	(28)
Reversal of impairment loss on other receivables and prepayments	154	–
(Loss)/gain on disposals of property, plant and equipment	(8)	20
Written back of long outstanding payables	–	28
Gain on lease modification	1,256	–
Loss on financial assets net fair value through profit or loss	(964)	–
Others	(38)	166
	<u>6,234</u>	<u>69</u>

### 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 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 notes 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 amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss.

All assets are allocated to reportable segments other than 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:

	2020				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Disaggregated by timing of revenue recognition					
Point in time	786,516	–	786,516	–	786,516
Over time	–	8,487	8,487	5,048	13,535
External revenue ( <i>Note</i> )	786,516	8,487	795,003	5,048	800,051
Operating profit/(loss)	27,129	(1,225)	25,904	(20,986)	4,918
Valuation loss on investment properties	–	(17,400)	(17,400)	–	(17,400)
Impairment loss on goodwill	–	–	–	(19,895)	(19,895)
Impairment loss on right-of-use assets	(96,894)	–	(96,894)	–	(96,894)
Impairment loss on property, plant and equipment	(6,028)	–	(6,028)	–	(6,028)
Interest income	1,035	–	1,035	–	1,035
Other net gains/(losses)	1,227	(2)	1,225	5,009	6,234
Finance costs	(14,162)	–	(14,162)	(78)	(14,240)
Segment results	(87,693)	(18,627)	(106,320)	(35,950)	(142,270)
Income tax expense					(6,452)
Loss for the year					(148,722)
Loss on disposal of property, plant and equipment	(8)	–	(8)	–	(8)
Write-down of inventories	(4,176)	–	(4,176)	–	(4,176)
Reversal of impairment loss of other receivable	154	–	154	–	154
Net realised and unrealised loss on trading securities	–	–	–	(215)	(215)
Depreciation and amortisation	(76,659)	(762)	(77,421)	(1,881)	(79,302)
Income tax expense	(4,004)	–	(4,004)	–	(4,004)
Deferred tax	(2,448)	–	(2,448)	–	(2,448)
Segment assets	428,738	327,136	755,874	34,356	790,230
Financial assets at fair value through other comprehensive income					–
Financial assets at fair value through profit or loss					14,133
Deferred tax assets					2,418
Total assets					806,781
Additions to non-current segment assets during the reporting period	247,631	209	247,840	26,489	274,329
Segment liabilities	415,111	8,822	423,933	12,907	436,840
Current income tax payable					4,875
Deferred tax liabilities					23,657
Total liabilities					465,372

*Note:* There were no inter-segment sales during the year ended 31st March 2020.

	2019				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Disaggregated by timing of revenue recognition					
Point in time	925,442	–	925,442	–	925,442
Over time	–	8,793	8,793	285	9,078
External revenue ( <i>Note</i> )	925,442	8,793	934,235	285	934,520
Operating profit/(loss)	91,316	2,030	93,346	(6,403)	86,943
Valuation gains on investment properties	–	781	781	–	781
Interest income	1,239	–	1,239	–	1,239
Other net gains/(losses)	502	–	502	(433)	69
Finance costs	(1,700)	–	(1,700)	–	(1,700)
Segment results	91,357	2,811	94,168	(6,836)	87,332
Income tax expense					(16,870)
Profit for the year					70,462
Reversal of write-down of inventories	6,818	–	6,818	–	6,818
Write back of long outstanding payables	28	–	28	–	28
Impairment loss of trade receivables	(28)	–	(28)	–	(28)
Net realised and unrealised loss on trading securities	–	–	–	(118)	(118)
Depreciation and amortisation	(3,087)	(648)	(3,735)	(219)	(3,954)
Deferred tax	(16,870)	–	(16,870)	–	(16,870)
Segment assets	406,821	366,407	773,228	16,419	789,647
Financial assets at fair value through other comprehensive income					9,063
Financial assets at fair value through profit or loss					15,097
Deferred tax assets					2,418
Total assets					816,225
Additions to non-current segment assets during the reporting period	8,952	76,990	85,942	–	85,942
Segment liabilities	254,746	8,772	263,518	3,550	267,068
Current income tax payable					4,851
Deferred tax liabilities					21,209
Total liabilities					293,128

*Note:* There were no inter-segment sales during the year ended 31st March 2019.



## 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, right-of-use assets, intangible assets 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
The People's Republic of China, excluding Hong Kong	340,541	329,181	107,864	63,000
Hong Kong (place of domicile)	458,560	604,390	278,516	279,142
Switzerland	950	949	16,409	14,898
United Kingdom	—	—	65,988	76,060
	<u>800,051</u>	<u>934,520</u>	<u>468,777</u>	<u>433,100</u>

## Information about major customers

For the year ended 31st March 2020, revenue of approximately HK\$109,818,000 (2019: HK\$91,329,000) 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. (LOSS)/PROFIT BEFORE TAXATION

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

### (a) Finance costs

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	4,882	1,700
Interest on lease liabilities	9,334	—
Interest on loans from a director	24	—
	<u>14,240</u>	<u>1,700</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>14,240</u>	<u>1,700</u>

**(b) Staff costs**

	2020 HK\$'000	2019 HK\$'000
Salaries, wages and other benefits (including directors' fee and emoluments)	57,184	56,799
Retirement benefits scheme contribution	2,939	3,867
	<u>60,123</u>	<u>60,666</u>

**(c) Other items**

	2020 HK\$'000	2019 HK\$'000
Rental receivable from investment properties less direct outgoings of HK\$445,000 (2019: HK\$414,000)	(8,041)	(8,379)
Net exchange (profit)/loss	(452)	1,803
Auditors' remuneration		
– Audit services	1,270	1,330
– Other services	380	344
Depreciation charge		
– Owned property, plant and equipment ( <i>note</i> )	7,684	3,487
– right-of-use assets ( <i>note</i> )	71,618	–
	<u>79,302</u>	<u>3,487</u>
Amortisation of prepaid lease payments	–	466
Write-down/(reversal of write-down) of inventories, net	4,176	(6,818)
Impairment loss on trade receivables	–	28
Impairment loss on goodwill	19,895	–
Impairment loss on right-of-use assets	96,894	–
Impairment loss on property, plant and equipment	6,028	–
Write back of long outstanding payables	–	(28)
Total minimum lease payments for leases previously classified as operating lease under HKAS 17		
– Minimum rentals	–	84,138
– Contingent rentals	–	793
	–	84,931
Variable lease payments not included in the measurement of lease liabilities	1,222	–
Cost of inventories recognised as expenses	<u>601,270</u>	<u>650,214</u>

*Note:*

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1st April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1st April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. (see note 2).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
PRC Corporate Income Tax		
– Charge for the year	4,004	–
Deferred tax		
Origination and reversal of temporary differences	2,448	16,870
Income tax expense	6,452	16,870

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2019: 16.5%). No Hong Kong Profits Tax has been provided for in the financial statements for the years ended 31st March 2020 and 2019 either because the Hong Kong subsidiaries have accumulated tax losses brought forward which exceeded the estimated assessable profits or the Hong Kong subsidiaries sustained losses for taxation purpose.

Taxation for the PRC subsidiaries is provided at the rate of 25% (2019: 25%). No PRC income tax has been provided for in the financial statements for the year ended 31st March 2019 either because the PRC subsidiaries have accumulated tax losses brought forward which exceeded the estimated assessable profits or the PRC subsidiaries sustained losses for taxation purpose.

The subsidiary in Switzerland is subject to Switzerland Profits Tax at the rate of 16% (2019: 16%). No Switzerland Profits Tax has been provided for the years ended 31st March 2020 and 2019 as the Group has no estimated assessable profits in Switzerland.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

## 6. DIVIDENDS

### (a) Dividends payable to owners of the Company attributable to the year

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK\$Nil (2019: HK\$0.0256) per share	–	19,126
Special dividend proposed after the end of the reporting period of HK\$Nil (2019: HK\$Nil) per share	–	–
	–	19,126

No interim dividend was paid for the year ended 31st March 2020 nor 2019.

**(b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year**

	2020 HK\$'000	2019 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.0256 (2019: HK\$0.0256) per share	19,126	20,056
Special dividend in respect of the previous financial year, approved and paid during the year of HK\$Nil (2019: HK\$0.0128) per share	—	20,056
	<u>19,126</u>	<u>40,112</u>

For the year ended 31st March 2019, the final dividend per share in respect of the previous financial year, approved and paid during the year has been adjusted for the effect of share consolidation which occurred during the year ended 31st March 2019.

**7. (LOSS)/EARNINGS PER SHARE**

**(a) Basic (loss)/earnings per share**

The calculation of basic loss per share for the year ended 31st March 2020 is based on loss attributable to owners of the Company of HK\$146,174,000 and the weighted average number of 747,123,000 ordinary shares in issue during the year.

The calculation of basic earnings per share for the year ended 31st March 2019 is based on profit attributable to the owners of the Company of HK\$70,462,000 and the weighted average number of 780,575,000 ordinary shares in issue during the year.

For the year ended 31st March 2019, the weighed average number of ordinary shares has been adjusted for the effect of share consolidation which occurred during the year ended 31st March 2020.

**(b) Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the years ended 31st March 2020 and 2019.

The Company's share options have no dilutive effect for the years ended 31st March 2020 and 2019 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

	2020 HK\$'000	2019 HK\$'000
Trade receivables, net of loss allowance		
– Third parties	24,519	35,985
– Related parties	6,705	5,866
	<u>31,224</u>	<u>41,851</u>
Other receivables		
– Third parties	4,533	3,610
– Related parties	1,037	2,164
	<u>5,570</u>	<u>5,774</u>
Financial assets measured at amortised costs	36,794	47,625
Deposits and prepayments	<u>28,558</u>	<u>38,831</u>
	<u>65,352</u>	<u>86,456</u>
Analysed as:		
Non-current	18,410	29,048
Current	<u>46,942</u>	<u>57,408</u>
	<u>65,352</u>	<u>86,456</u>

### (a) Aging analysis

The Group allows credit period of up to 180 days to its customers. The aging analysis of the trade receivables at the end of the reporting period based on invoice date and net of loss allowance, is as follows:

	2020 HK\$'000	2019 HK\$'000
Up to 90 days	13,561	34,712
91 to 180 days	8,214	1,374
181 to 365 days	1,987	122
Over 365 days	<u>7,462</u>	<u>5,643</u>
	<u>31,224</u>	<u>41,851</u>

## 9. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables		
– Third parties	8,672	31,661
Other payables and accrued charges	36,274	33,398
Accrued interest to a director	–	160
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	44,946	65,219
Rental received in advance	94	110
Deposits received	3,344	1,807
Other tax payable	50,203	55,279
	<hr/>	<hr/>
	<b>98,587</b>	<b>122,415</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Up to 90 days	5,321	28,284
91 to 180 days	127	6
181 to 365 days	–	–
Over 365 days	3,224	3,371
	<hr/>	<hr/>
	<b>8,672</b>	<b>31,661</b>
	<hr/> <hr/>	<hr/> <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group's revenue for the year amounted to HK\$800 million which was 14% lower than HK\$935 million in last year. The "Sale of watches" segment continued to play a key role this year but slightly decreased its revenue by 15% from HK\$925 million to HK\$787 million this year due to the reduction of revenue in the store in Hong Kong. On the other hand, the business in the "Properties leasing" segment remained stable and derived a revenue of HK\$8 million this year.

The total number of stores is as below:

	As at 31st March 2020	As at 31st March 2019
Beijing	2	2
Shanghai	3	3
Xiamen	1	0
Nantang	1	0
Chengdu	0	1
Hong Kong	1	1
	<u>8</u>	<u>7</u>

### Financial Review

#### *Results review*

For the year ended 31st March 2020, the Group's revenue amounted to HK\$800 million, representing a slightly decrease of 14% as compared with HK\$935 million in last year. Decrease in revenue was mainly due to the impact of the COVID-19 pandemic happened in February 2020 which seriously affected the sales of the retail store in Hong Kong despite a new line of watch movement business was launched in Hong Kong before. Gross profit margin decreased by 5 % to 25% as compared with last year due to additional stock provision made during the year.

Distribution costs this year amounted to HK\$161 million which was 9% lower than HK\$177 million in last year. Such decrease was due to the decrease in entertainment expense and sales commission for the year.

Administrative expenses increased by 15% to HK\$47 million as compared with HK\$41 million in last year which was mainly due to the increase in staff related expenses and consultancy fee which was offset partially by the decrease in bank charges.

Valuation losses on investment properties amounted to HK\$17 million in this year as compared with valuation gains of HK\$0.8 million in last year as the property markets in Hong Kong and London were affected by the COVID-19 pandemic.

Finance costs amounted to HK\$14 million in this year which was much higher than that of last year amounting to HK\$2 million was due to increase in bank borrowings and the interest on lease liabilities which was newly effective in this year.

An impairment loss of HK\$20 million was made for the food manufacturing and retail business due to the unforeseen business environment in the near future.

Further to the announcement of the Company dated 19th March 2020, the Group was informed by a major supplier to its retail store in Hong Kong that the supply will extend to mid-February 2021. However, as the recoverable amount of this business is less than the carrying amount of its assets, impairment loss totalling HK\$103 million was made during the year which significantly increased the loss incurred by the Group this year.

#### *Liquidity, financial resources and capital structure*

As at 31st March 2020, the Group's total cash balance (including short-term deposits and structured deposits) amounted to HK\$69 million (31st March 2019: HK\$102 million).

Gearing ratio of the Group, expressed as a ratio of total borrowings over total equity, was 47% as at 31st March 2020 (31st March 2019: 25%).

#### *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 incurred a net loss of HK\$149 million as compared with a net profit of HK\$70 million in last year, was due to the impact of the COVID-19 pandemic which not only affected the sales in Hong Kong and China but also the valuation of our key investment properties located in Hong Kong and London.

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 still weak in Hong Kong and but that in China is recovering. Looking ahead, the Group believes that the sentiment will improve as the pandemic is 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 residential properties in London in last year in addition to the key investment properties located in Hong Kong.

The Group is determined to rebuild its financial strength and confidence to improve its business and take a cautious approach in its future expansion.

On behalf of the Group, we sincerely thank for the kind and positive support of our shareholders, customers, suppliers and associates.

## **CORPORATE GOVERNANCE 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 2020 except for the deviation from the code provisions A.4.1 and D.1.4 and those discussed below:

The Company was incorporated in Bermuda and enacted by private act, the Asia Commercial Holdings Limited Company Act, 1989 of Bermuda (the “1989 Act”). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the Bye-Laws. As the Company is bound by the provision of the 1989 Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the Code. As such, a special resolution was passed at the special general meeting held on 28th March 2007 to amend the Bye-Laws of the Company so that, inter alia, (i) every director (save for a director holding office as Chairman or Managing Director) of the Company shall be subject to retirement by rotation at least once every three years; (ii) a director may be removed by an ordinary resolution in general meeting instead of a special resolution; 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.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**

The Directors do not recommend a final dividend in respect of the year ended 31st March 2020 (2019: HK\$0.0256 per share).

### **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 of Hong Kong Limited during the year.

### **Employees and Remuneration Policy**

There were 151 employees in the Group as at 31st March 2020. 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, 17th September 2020, the register of members of the Company will be closed from Friday, 11th September 2020 to Thursday, 17th September 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 10th September 2020.

### **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**

The figures in respect of the announcement of the Group's results for the year ended 31st March 2020 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, 29th June 2020

*As at the date of this announcement, the Board comprises Mr. Eav Yin (Chairman), Ms. Eav Guech Rosanna and Mr. Eav Feng Ming, Jonathan 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*