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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 2016

FINANCIAL HIGHLIGHTS

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	Change %
Operations			
Revenue	834	719	16
Loss attributable to owners of the Company	(36)	(31)	N/A
Loss per share – Basic	(2.28 HK cents)	(2.11 HK cents)	N/A
Interim dividend declared and paid	–	–	
Final dividend proposed after the end of the reporting period	–	–	
	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	Change %
Financial position			
Total assets	705	732	(4)
Equity attributable to owners of the Company	406	411	(1)
Non-controlling interests	–	–	–

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 2016 together with the comparative figures for 2015. The financial information set out in this announcement does not constitute the Group’s statutory financial statements for the year ended 31st March 2016 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	2016 HK\$’000	2015 HK\$’000
Revenue	3	834,394	718,580
Cost of sales		<u>(668,661)</u>	<u>(570,552)</u>
Gross profit		165,733	148,028
Valuation gains on investment properties		262	40,481
Other revenue	3	23,320	24,962
Distribution costs		(203,543)	(230,213)
Administrative expenses		(28,080)	(28,834)
Other net gains		11,534	18,294
Finance costs	5(a)	<u>(4,851)</u>	<u>(7,691)</u>
Loss before taxation	5	(35,625)	(34,973)
Income tax	6	<u>(53)</u>	<u>(54)</u>
Loss for the year		<u>(35,678)</u>	<u>(35,027)</u>
Attributable to:			
Owners of the Company		(35,678)	(30,936)
Non-controlling interests		<u>–</u>	<u>(4,091)</u>
		<u>(35,678)</u>	<u>(35,027)</u>
Loss per share	8		
Basic (<i>HK cents</i>)		<u>(2.28)</u>	<u>(2.11)</u>
Diluted (<i>HK cents</i>)		<u>(2.28)</u>	<u>(2.11)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year	(35,678)	(35,027)
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 (net of nil tax)	(3,287)	(6,790)
Change in fair value reserve on revaluation of available-for-sale investments (net of nil tax)	(47)	190
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of properties upon transfer to investment properties	39,501	—
Deferred tax liability arising on gain on revaluation of properties	(6,519)	—
Total other comprehensive income/(loss) for the year	29,648	(6,600)
Total comprehensive loss for the year	(6,030)	(41,627)
Attributable to:		
Owners of the Company	(6,030)	(37,536)
Non-controlling interests	—	(4,091)
	(6,030)	(41,627)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		23,107	15,250
Prepaid lease payments		17,576	19,866
Investment properties		255,188	225,169
Available-for-sale investments		7,670	7,717
Rental deposits and prepayments		24,320	21,554
		327,861	289,556
Current assets			
Inventories		317,690	372,167
Prepaid lease payments		479	505
Trade and other receivables	9	24,779	38,475
Trading securities		689	8,239
Pledged bank deposits		–	1,483
Cash and cash equivalents		33,332	21,554
		376,969	442,423
Current liabilities			
Trade and other payables	10	154,347	172,011
Bank loans		44,976	62,081
Loans from a director		57,000	47,000
Provision for store closure		–	–
Current income tax payable		3,465	3,548
		259,788	284,640
Net current assets		117,181	157,783
Total assets less current liabilities		445,042	447,339
Non-current liabilities			
Rental deposits received and receipt in advance		3,312	1,967
Deferred tax liabilities		13,309	6,790
Other liabilities		22,646	27,346
		39,267	36,103
Net assets		405,775	411,236
Capital and reserves			
Share capital		313,373	313,373
Reserves		92,402	97,863
Equity attributable to owners of the Company		405,775	411,236

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 and trading securities, 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.

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

- Amendments to HKAS 19 Employee benefits: Defined benefit plans: Employee contributions
- Amendments to HKFRSs Annual improvements to HKFRSs 2010 – 2012 cycle
- Amendments to HKFRSs Annual improvements to HKFRSs 2011 – 2013 cycle

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group only operated the defined contribution plans for its employees.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011- 2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

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

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

2. GOING CONCERN

The Group incurred a loss attributable to owners of the Company of HK\$35,678,000 (2015: HK\$30,936,000) and had decrease in net current assets of HK\$40,602,000 (2015: HK\$15,281,000) and net debt of HK\$68,644,000 (2015: HK\$86,044,000) as stated in the consolidated financial statements as at 31st March 2016. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain profit and positive cash flows from operations in the immediate and longer term.

In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measures:

- On 25th June 2014, the Group entered into a term loan facility agreement for HK\$150 million with Mr. Eav Yin, a director and controlling shareholder of the Company for a period from 25th June 2014 to 30th September 2015. The Group renewed the term loan facility agreement with Mr. Eav on 26th June 2015 for another year to 30th September 2016 with facility amount of HK\$80 million. The total amount utilized under the term loan facility agreement as at 31st March 2016 was HK\$57 million. The Group renewed the term loan facility agreement with Mr. Eav on 27th June 2016 for another year to 30th September 2017 with facility amount of HK\$60 million.
- the directors of the Company have been taking various cost control measures to tighten the costs of operations; and
- the directors of the Company have reviewed the performance of individual stores and plan to close non-profitable stores if appropriate.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group and the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

3. REVENUE AND OTHER REVENUE

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.

	2016 HK\$'000	2015 HK\$'000
Sales of watches	827,100	713,854
Rental income from investment properties	7,294	4,726
	<u>834,394</u>	<u>718,580</u>
Other Revenue		
Bank interest income	50	57
Total interest income on financial assets not at fair value through profit or loss	50	57
Gross rental income from sub-letting of a shop	–	623
Promotion income	7,386	8,854
Advertising income	5,962	2,310
Customer services income and others	9,922	13,118
	<u>23,320</u>	<u>24,962</u>

4. 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 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.

	Sale of watches HK\$'000	Properties leasing HK\$'000	2016 Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
External revenue (<i>Note</i>)	<u>827,100</u>	<u>7,294</u>	<u>834,394</u>	<u>–</u>	<u>834,394</u>
Operating profit/(loss)	(40,202)	5,178	(35,024)	(7,596)	(42,620)
Valuation gains on investment properties	–	262	262	–	262
Interest income	50	–	50	–	50
Other net gains	5,273	–	5,273	6,261	11,534
Finance costs	<u>(4,851)</u>	<u>–</u>	<u>(4,851)</u>	<u>–</u>	<u>(4,851)</u>
Segment results	<u>(39,730)</u>	<u>5,440</u>	<u>(34,290)</u>	<u>(1,335)</u>	<u>(35,625)</u>
Income tax					<u>(53)</u>
Loss for the year					<u>(35,678)</u>
Loss on write off of rental deposits	(252)	–	(252)	–	(252)
Write-down of inventories	(8,996)	–	(8,996)	–	(8,996)
Impairment loss of trade receivables	(18)	–	(18)	–	(18)
Reversal of impairment loss of other receivables and prepayments	1,709	–	1,709	–	1,709
Fair value gain on trading securities	–	–	–	6,261	6,261
Depreciation and amortisation	<u>(6,711)</u>	<u>(311)</u>	<u>(7,022)</u>	<u>–</u>	<u>(7,022)</u>
Segment assets	<u>433,489</u>	<u>256,439</u>	<u>689,928</u>	<u>7,232</u>	<u>697,160</u>
Available-for-sale investments					<u>7,670</u>
Total assets					<u>704,830</u>
Additions to non-current segment assets during the reporting period	<u>7,878</u>	<u>16</u>	<u>7,894</u>	<u>–</u>	<u>7,894</u>
Segment liabilities	<u>270,004</u>	<u>8,894</u>	<u>278,898</u>	<u>3,383</u>	<u>282,281</u>
Current income tax payable					3,465
Deferred tax liabilities					<u>13,309</u>
Total liabilities					<u>299,055</u>

Note: There were no inter-segment sales during the year ended 31st March 2016.

			2015		
	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>)	<u>713,854</u>	<u>4,726</u>	<u>718,580</u>	<u>–</u>	<u>718,580</u>
Operating profit/(loss)	(82,463)	3,864	(78,599)	(7,515)	(86,114)
Valuation gains on investment properties	–	40,481	40,481	–	40,481
Interest income	56	–	56	1	57
Other net gains	13,444	79	13,523	4,771	18,294
Finance costs	<u>(7,691)</u>	<u>–</u>	<u>(7,691)</u>	<u>–</u>	<u>(7,691)</u>
Segment results	<u>(76,654)</u>	<u>44,424</u>	<u>(32,230)</u>	<u>(2,743)</u>	<u>(34,973)</u>
Income tax					(54)
Loss for the year					<u>(35,027)</u>
Loss on write off of property, plant and equipment	(173)	–	(173)	–	(173)
Loss on write off of rental deposits	(5,046)	–	(5,046)	–	(5,046)
Write-down of inventories	(21,722)	–	(21,722)	–	(21,722)
Write-back of long-outstanding payables and accruals	2,684	79	2,763	199	2,962
Impairment loss of trade receivables	(2,552)	–	(2,552)	–	(2,552)
Impairment loss of other receivables and prepayments	(13,413)	–	(13,413)	–	(13,413)
Reversal of other tax payable	34,467	–	34,467	–	34,467
Fair value gain on trading securities	–	–	–	4,563	4,563
Depreciation and amortisation	<u>(10,336)</u>	<u>(197)</u>	<u>(10,533)</u>	<u>–</u>	<u>(10,533)</u>
Segment assets	<u>479,304</u>	<u>227,754</u>	<u>707,058</u>	<u>17,204</u>	<u>724,262</u>
Available-for-sale investments					7,717
Total assets					<u>731,979</u>
Additions to non-current segment assets during the reporting period	<u>7,299</u>	<u>230</u>	<u>7,529</u>	<u>33</u>	<u>7,562</u>
Segment liabilities	<u>298,960</u>	<u>7,872</u>	<u>306,832</u>	<u>3,573</u>	<u>310,405</u>
Current income tax payable					3,548
Deferred tax liabilities					<u>6,790</u>
Total liabilities					<u>320,743</u>

Note: There were no inter-segment sales during the year ended 31st March 2015.

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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
The People's Republic of China, excluding Hong Kong	376,219	343,113	65,234	59,129
Hong Kong (place of domicile)	456,700	374,488	241,597	208,912
Switzerland	1,475	979	13,360	13,798
	<u>834,394</u>	<u>718,580</u>	<u>320,191</u>	<u>281,839</u>

Information about major customers

For the year ended 31st March 2016, revenue of approximately HK\$160,242,000 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.

For the year ended 31st March 2015, no revenue derived from transactions with a single customer represented 10% or more of the Group's total revenue.

5. LOSS BEFORE TAXATION

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

(a) Finance costs

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings	1,754	4,903
Interest on other borrowings	56	—
Interest on loans from a director	<u>3,041</u>	<u>2,788</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>4,851</u>	<u>7,691</u>

(b) Staff costs

	2016 HK\$'000	2015 HK\$'000
Salaries, wages and other benefits (including directors' fee and emoluments)	45,931	50,907
Equity-settled share-based payment expenses	569	(1,206)
Retirement benefits scheme contribution	4,455	4,959
	<u>50,955</u>	<u>54,660</u>

(c) Other items

	2016 HK\$'000	2015 HK\$'000
Rental receivable from investment properties less direct outgoings of HK\$342,000 (2015: HK\$252,000)	(6,952)	(4,474)
Net exchange loss	496	1,057
Auditors' remuneration		
Audit services	1,268	1,566
Other services	329	371
Depreciation for property, plant and equipment	6,535	10,027
Amortisation of prepaid lease payments	487	506
Impairment loss on trade receivables	18	2,552
(Reversal of impairment loss)/impairment loss on other receivables and prepayments	(1,709)	13,413
Operating lease rentals in respect of rented premises		
– Minimum rentals	126,827	135,619
– Contingent rentals	2,031	1,813
	<u>128,858</u>	<u>137,432</u>
Cost of inventories recognised as expenses	<u>668,661</u>	<u>570,552</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
PRC Corporate Income Tax		
– Charge for the year	53	21
– Tax refund	–	(21)
	<u>53</u>	<u>–</u>
Deferred tax		
Origination of temporary differences	–	54
	<u>53</u>	<u>54</u>

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2015: 16.5%). No Hong Kong Profits Tax has been provided for the years ended 31st March 2016 and 2015 as the Group has no estimated assessable profits in Hong Kong.

Taxation for the PRC subsidiaries is provided at the appropriate current rate of 25% (2015: 25%).

The subsidiary in Switzerland is subject to Switzerland Profits Tax at the rate of 17% (2015: 17%). No Switzerland Profits Tax has been provided for the years ended 31st March 2016 and 2015 as the Group has no estimated assessable profits in Switzerland.

7. DIVIDENDS

The directors do not propose any payment of final dividend for the years ended 31st March 2016 and 2015.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$35,678,000 (2015: HK\$30,936,000) and the weighted average number of 1,566,866,000 ordinary shares (2015: 1,462,757,000 ordinary shares) in issue during the year, calculated as follows:

	2016 <i>'000</i>	2015 <i>'000</i>
Issued ordinary shares at 1st April	1,566,866	1,366,866
Effect of issue on shares pursuant to share placement	–	95,891
	<u>1,566,866</u>	<u>1,462,757</u>

(b) Diluted loss per share

Diluted loss per share is equal to the basic loss per share for the years ended 31st March 2016 and 2015.

The share option had no dilutive effect because the average market price of ordinary shares did not exceed the exercise price of the share option for the years ended 31st March 2016 and 2015.

9. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables		
– Third parties	14,159	14,564
– Related parties	2,173	4,213
	16,332	18,777
Allowance for doubtful debts	(2,510)	(2,552)
	13,822	16,225
Other receivables		
– Third parties	3,410	1,159
– Related parties	–	3,914
	3,410	5,073
Loans and receivables	17,232	21,298
Deposits and prepayments	7,547	17,177
	24,779	38,475

The Group allows credit period of up to 180 days to its customers. The aging analysis of the trade receivables of HK\$13,822,000 (2015: HK\$16,225,000) at the end of the reporting period based on invoice date and net of allowance for doubtful debt is as follows:

	2016 HK\$'000	2015 HK\$'000
Trade receivables		
Up to 90 days	11,178	11,678
91 to 180 days	504	415
181 to 365 days	1,310	1,515
Over 365 days	830	2,617
	13,822	16,225

The carrying amounts of the Group's trade and other receivables at 31st March 2016 and 2015 approximate their fair values.

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

10. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables		
– Third parties	29,787	36,171
– Related party	75	2,589
	29,862	38,760
Other payables and accrued charges	50,134	41,435
Accrued interest to a director	1,211	5,220
Financial liabilities measured at amortised cost	81,207	85,415
Rental received in advance	96	75
Deposits received	4,117	4,031
Other tax payable	68,927	82,490
	154,347	172,011

The carrying amounts of the Group's trade and other payables at 31st March 2016 and 2015 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 aging analysis of trade payables based on date of receipt of goods as at the end of the reporting period is as follows:

	2016 HK\$'000	2015 HK\$'000
Trade payables		
Up to 90 days	25,616	32,508
91 to 180 days	6	1,085
181 to 365 days	–	502
Over 365 days	4,240	4,665
	29,862	38,760

11. PLEDGE OF ASSETS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Land and buildings	14,435	642
Prepaid lease payments	18,055	519
Investment properties	229,116	175,900
Inventories	–	120,901
Pledged bank deposits	–	1,483
	<u>261,606</u>	<u>299,445</u>

SUBSEQUENT EVENT REVIEW

In April 2016, the Group repaid the bank borrowings of RMB5 million (equivalent to approximately HK\$6 million) to a bank in the PRC. In April and May 2016, the Group drew down bank borrowings of approximately HK\$40 million from a bank in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the year was HK\$834 million which was 16% higher than HK\$719 million of last year. Gross profit margin dropped slightly from 21% to 20% due to intense market competition. Sales from mainland China were increased by 10% to HK\$376 million while average same store sales in China were increased by 3%. Sales in Hong Kong were also increased by 22% to HK\$457 million due to the increasing effort of the Group to focus on big customers.

During the year, the Group closed 1 store in Shenyang and opened a new one in the same area.

The total number of stores is as below:

	As at 31st March 2016	As at 31st March 2015
Beijing	3	3
Shanghai	3	3
Shenyang	1	1
Chengdu	2	2
Hong Kong	1	1
	<hr/> 10 <hr/>	<hr/> 10 <hr/>

Financial Review

Results review

The Group recorded a turnover of HK\$834 million for the year ended 31st March 2016, (2015: HK\$719 million) which was 16% higher than last year. Sales from the mainland China increased by 10% to HK\$376 million as compared with HK\$343 million of last year was due to the increasing effort of the Group to focus on big customers during the year. Sales in Hong Kong also increased by 22% to HK\$457 million as compared with HK\$375 million of last year due to the increasing effort of the Group to focus on big customers as well.

Distribution costs decreased by 12% to HK\$204 million as compared with HK\$230 million of last year was mainly due to the decrease in depreciation charge, rental and staff cost due to the closure of stores and tightening control in expenses. Administrative expenses slightly decreased by 3% to HK\$28 million as compared with HK\$29 million of last year.

Valuation gains on investment properties amounted to HK\$0.3 million which were negligible as compared with HK\$40 million in last year due to the slightly downturn of the property market in Hong Kong.

Other net gain amounting to HK\$12 million this year was mainly due to the gain from the disposal of trading securities.

Finance costs decreased by 37% to HK\$5 million as compared with HK\$8 million of last year was due to the decrease in bank loans during the year.

Liquidity, financial resources and capital structure

As at 31st March 2016, the Group's total cash balance amounted to HK\$33 million (2015: HK\$23 million). The increase was mainly due to the cash inflow from operating and investing activities despite the repayment of bank loans during the year. The Group has secured banking facilities amounting to a total of HK\$133 million which were secured by leasehold properties, prepaid lease payments, investment properties, rental assignment, as well as unlimited corporate guarantee provided by the Company. Gearing ratio of the Group, expressed as a ratio of total borrowing, over total equity, was 25% as at 31st March 2016 (2015: 27%).

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.

Prospects

The loss of the Group amounting to HK\$36 million this year. Excluding the valuation gains on investing properties, the Group actually improved significantly as compared with last year.

The Group operates 10 stores in Hong Kong and China. The Group closed 1 store in Shenyang and opened a new one in the same area during the year. The Group has streamlined the operating cost of a number of core stores during the year and will continue to do so with a view to enhance the cost efficiency of each store. The overall sentiment in the luxury retail business in Hong Kong and China still remained weak due to the slowdown of the economic growth in China and Hong Kong, the shift of spending pattern of the mainland tourists and the continuation of anti-corruption drive in China.

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

On behalf of the Group, we sincerely thank for the kind and positive supportive 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 2016 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 2016 (2015: nil).

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 216 employees in the Group as at 31st March 2016. 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.

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 Horwath (HK) CPA Limited

The figures in respect of the announcement of the Group's results for the year ended 31st March 2016 have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited to the amounts set out in the Group's audited financial statements for the year. The work performed by Crowe Horwath (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 Horwath (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, 30th June 2016

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*