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ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

	Six months ended 30th September		
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	Change %
Operations			
Revenue	406,994	431,208	(6)
Profit/(loss) attributable to the owners of the Company	2,436	(15,003)	N/A
Earnings/(loss) per share – Basic and diluted	0.16 HK cents	(0.96) HK cents	N/A
	As at 30th September 2016 HK\$'000 (unaudited)	As at 31st March 2016 HK\$'000 (audited)	Change %
Financial position			
Total assets	692,000	705,000	(1.8)
Equity attributable to the owners of the Company	406,000	406,000	–

The Board of Directors (the “Board”) of Asia Commercial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2016 together with the comparative figures of the last corresponding period. The interim financial results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th September 2016

		Six months ended	
		30th September	
	<i>Notes</i>	2016	2015
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	3	406,994	431,208
Cost of sales		<u>(312,066)</u>	<u>(343,332)</u>
Gross profit		94,928	87,876
Other revenue		13,680	13,338
Distribution costs		(91,718)	(106,348)
Administrative expenses		(13,469)	(13,307)
Other income, net		1,262	6,020
Finance costs	4(a)	<u>(2,224)</u>	<u>(2,555)</u>
Profit/(loss) before taxation	4	2,459	(14,976)
Income tax	5	<u>(23)</u>	<u>(27)</u>
Profit/(loss) for the period attributable to the owners of the Company		<u>2,436</u>	<u>(15,003)</u>
Earnings/(loss) per share	6		
Basic and diluted (HK cents)		<u>0.16</u>	<u>(0.96)</u>

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

For the six months ended 30th September 2016

	Six months ended 30th September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit/(loss) for the period	2,436	(15,003)
Other comprehensive income for the period		
<i>Item that will not be reclassified to profit or loss:</i>		
Gain on revaluation of land and buildings	—	34,955
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(2,324)	(4,206)
Total other comprehensive (loss)/income for the period (net of nil tax)	(2,324)	30,749
Total comprehensive income for the period attributable to the owners of the Company	112	15,746

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2016

		As at 30th September 2016 <i>HK\$'000</i> (unaudited)	As at 31st March 2016 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		20,160	23,107
Prepaid lease payments		16,820	17,576
Investment properties		254,145	255,188
Available-for-sale investments		7,670	7,670
Rental deposits and prepayments		22,576	24,320
		321,371	327,861
Current assets			
Inventories		291,642	317,690
Prepaid lease payments		465	479
Trade and other receivables	8	36,459	24,779
Trading securities		624	689
Cash and cash equivalents		41,233	33,332
		370,423	376,969
Current liabilities			
Trade and other payables	9	143,133	154,347
Bank loans		86,533	44,976
Loans from a director		18,000	57,000
Current tax payable		3,405	3,465
		251,071	259,788
Net current assets		119,352	117,181
Total assets less current liabilities		440,723	445,042
Non-current liabilities			
Rental received in advance		3,215	3,312
Deferred tax liabilities		13,309	13,309
Other liabilities		18,312	22,646
		34,836	39,267
Net assets		405,887	405,775

		As at 30th September 2016 <i>HK\$'000</i> (unaudited)	As at 31st March 2016 <i>HK\$'000</i> (audited)
Capital and reserves			
Share capital	10	313,373	313,373
Reserves		92,514	92,402
		<hr/>	<hr/>
Equity attributable to the owners of the Company		405,887	405,775
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. GENERAL

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

The Company is a limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and principal place of business of the Company are situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and 19th Floor, 9 Des Voeux Road West, Hong Kong, respectively.

The unaudited condensed interim financial statements are presented in thousand of units of Hong Kong dollars (HK\$’000), unless otherwise stated, and have been approved for issue by the Board of Directors on 23rd November 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of the unaudited condensed interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may be different from these estimates.

The accounting policies adopted in the preparation of the unaudited condensed interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st March 2016, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as noted below:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investments Entities: Applying the Consolidation Exception

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

¹ Effective for annual periods beginning on or after 1st January 2018.

² Effective for annual periods to be determined.

³ Effective for annual periods beginning on or after 1st January 2019.

⁴ Effective for annual periods beginning on or after 1st January 2017.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash payments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and these lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The directors of the Company will assess the impact of application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detail review.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material effect on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group manages its business by divisions. In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the chief operating decision makers (“CODM”) for the purposes of resource allocations and performance assessments. The Group has presented two reportable segments: (i) sale of watches (retail and wholesale) and (ii) properties leasing. No operating segments have been aggregated to form these two reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in the annual financial statements for the year ended 31st March 2016. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs and corporate costs which cannot be meaningfully allocated to individual segment. This is the measure reported to the CODM for purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the 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 payables, deferred tax liabilities and borrowings not attributable to individual segments and other corporate liabilities.

The following is an analysis of the Group's revenue, results, assets and liabilities by operating segment for the periods:

For the six months ended 30th September 2016 (unaudited)					
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
External revenue (<i>Note</i>)	<u>403,128</u>	<u>3,866</u>	<u>406,994</u>	<u>–</u>	<u>406,994</u>
Operating profit/(loss)	6,484	1,200	7,684	(4,304)	3,380
Interest income	41	–	41	–	41
Other income/(loss), net	1,328	–	1,328	(66)	1,262
Finance costs	<u>(2,224)</u>	<u>–</u>	<u>(2,224)</u>	<u>–</u>	<u>(2,224)</u>
Segment results	<u>5,629</u>	<u>1,200</u>	<u>6,829</u>	<u>(4,370)</u>	2,459
Income tax					<u>(23)</u>
Profit for the period					<u>2,436</u>
Depreciation and amortisation	<u>3,234</u>	<u>130</u>	<u>3,364</u>	<u>–</u>	<u>3,364</u>

Note:

There were no inter-segment sales during the six months ended 30th September 2016.

As at 30th September 2016 (unaudited)					
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>422,414</u>	<u>255,393</u>	<u>677,807</u>	<u>6,317</u>	684,124
Available-for-sale investments					<u>7,670</u>
Total assets					<u>691,794</u>
Additions to non-current segment assets during the reporting period	<u>315</u>	<u>–</u>	<u>315</u>	<u>–</u>	<u>315</u>
Segment liabilities	<u>257,937</u>	<u>8,862</u>	<u>266,799</u>	<u>2,394</u>	269,193
Current tax payable					3,405
Deferred tax liabilities					<u>13,309</u>
Total liabilities					<u>285,907</u>

For the six months ended 30th September 2015 (unaudited)

	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
External revenue (<i>Note</i>)	<u>427,883</u>	<u>3,325</u>	<u>431,208</u>	<u>–</u>	<u>431,208</u>
Operating (loss)/profit	(15,847)	2,367	(13,480)	(4,994)	(18,474)
Interest income	33	–	33	–	33
Other (loss)/income, net	(499)	–	(499)	6,519	6,020
Finance costs	<u>(2,555)</u>	<u>–</u>	<u>(2,555)</u>	<u>–</u>	<u>(2,555)</u>
Segment results	<u>(18,868)</u>	<u>2,367</u>	<u>(16,501)</u>	<u>1,525</u>	<u>(14,976)</u>
Income tax					<u>(27)</u>
Loss for the period					<u>(15,003)</u>
Depreciation and amortisation	<u>3,438</u>	<u>146</u>	<u>3,584</u>	<u>–</u>	<u>3,584</u>

Note:

There were no inter-segment sales during the six months ended 30th September 2015.

As at 31st March 2016 (audited)

	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>433,489</u>	<u>256,439</u>	<u>689,928</u>	<u>7,232</u>	697,160
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>	282,281
Current tax payable					3,465
Deferred tax liabilities					<u>13,309</u>
Total liabilities					<u>299,055</u>

Geographic Information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets as specified below. The geographical location of customers is referred to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments, investment properties and rental deposits and prepayments. The geographical locations of non-current assets are based on the physical location of the assets.

	Revenues from external customers		Non-current assets	
	Six months ended 30th September		30th September	
	2016	2015	2016	31st March 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China, excluding Hong Kong	185,294	198,345	53,059	65,234
Hong Kong (place of domicile)	221,058	232,078	247,545	241,597
Switzerland	642	785	13,097	13,360
	<u>406,994</u>	<u>431,208</u>	<u>313,701</u>	<u>320,191</u>

Information about major customers

For the six months ended 30th September 2016, revenue of approximately HK\$75,566,000 (2015: HK\$90,417,000) was derived from a single external customer who contributed more than 10% of total revenue of the Group. This revenue was attributable to the sale of watches segment.

4. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	1,377	1,120
Interest on loans from a director	847	1,435
	<u>2,224</u>	<u>2,555</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>2,224</u>	<u>2,555</u>

(b) **Other items**

	Six months ended	
	30th September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange loss/(gain)	68	(424)
Amortisation of prepaid lease payments	235	289
Depreciation for property, plant and equipment	3,129	3,295
Reversal of write-down of inventories, net	(2,079)	(784)
Staff costs including directors' fees and emoluments	25,686	28,080
Cost of inventories recognised as expenses	312,066	343,332

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

	Six months ended	
	30th September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current:		
Outside Hong Kong	23	27

No Hong Kong Profits Tax has been provided for the period as the Group has no estimated assessable profits in Hong Kong for the six months ended 30th September 2016 and 2015.

Taxation for overseas subsidiary companies is provided at the appropriate current rates of taxation ruling in the relevant countries.

6. EARNINGS/(LOSS) PER SHARE

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

The calculation of basic earnings/(loss) per share is based on profit attributable to owners of the Company of HK\$2,436,000 (2015: loss of HK\$15,003,000) and the weighted average number of 1,566,866,000 ordinary shares (2015: 1,566,866,000 ordinary shares) in issue during the period.

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

Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share for the six months ended 30th September 2016 and 2015.

The share options had no dilutive effect because the average market price of ordinary shares did not exceed the exercise price of the share options for the six months ended 30th September 2016 and 2015.

7. DIVIDENDS

The Directors resolved not to pay any interim dividend for the six months ended 30th September 2016 (2015: Nil).

8. TRADE AND OTHER RECEIVABLES

	As at 30th September 2016 HK\$'000 (unaudited)	As at 31st March 2016 HK\$'000 (audited)
Trade receivables		
– Third parties	17,108	14,159
– Related parties	2,792	2,173
	<u>19,900</u>	<u>16,332</u>
Allowance for doubtful debts	(2,444)	(2,510)
	<u>17,456</u>	<u>13,822</u>
Other receivables		
– Third parties	6,170	3,410
– Related parties	1,234	–
	<u>7,404</u>	<u>3,410</u>
Loans and receivables	24,860	17,232
Deposits and prepayments	11,599	7,547
	<u>36,459</u>	<u>24,779</u>

(a) Aging Analysis

The Group allows credit period of up to 180 days to its customers. The aging analysis of trade receivables of HK\$17,456,000 (31st March 2016: HK\$13,822,000) at the end of the reporting period based on invoice date and net of allowance of doubtful debts is as follows:

	As at 30th September 2016 HK\$'000 (unaudited)	As at 31st March 2016 HK\$'000 (audited)
Up to 90 days	12,357	11,178
91 to 180 days	607	504
181 to 365 days	2,578	1,310
Over 365 days	1,914	830
	<u>17,456</u>	<u>13,822</u>

9. TRADE AND OTHER PAYABLES

	As at 30th September 2016 <i>HK\$'000</i> (unaudited)	As at 31st March 2016 <i>HK\$'000</i> (audited)
Trade payables		
– Third parties	24,992	29,787
– Related parties	181	75
	<u>25,173</u>	<u>29,862</u>
Other payables and accrued charges	45,384	50,134
Accrued interest payable to a director	847	1,211
	<u>71,404</u>	<u>81,207</u>
Financial liabilities measured at amortised cost		
Rental received in advance	94	96
Deposits received	3,860	4,117
Other tax payable	67,775	68,927
	<u>143,133</u>	<u>154,347</u>

(a) Aging Analysis

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

	As at 30th September 2016 <i>HK\$'000</i>	As at 31st March 2016 <i>HK\$'000</i>
Up to 90 days	20,018	25,616
91 to 180 days	125	6
181 to 365 days	82	–
Over 365 days	4,948	4,240
	<u>25,173</u>	<u>29,862</u>

10. SHARE CAPITAL

	Number of shares '000 (unaudited)	Amount HK\$'000 (unaudited)
Authorised:		
At 1st April 2016 and 30th September 2016, Ordinary shares of HK\$0.2 each	2,500,000	500,000
Issued and fully paid:		
At 1st April 2016 and 30th September 2016, Ordinary shares of HK\$0.2 each	1,566,866	313,373

11. PLEDGE OF ASSETS

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

	As at 30th September 2016 HK\$'000 (unaudited)	As at 31st March 2016 HK\$'000 (audited)
Land and buildings	14,239	14,435
Prepaid lease payments	17,285	18,055
Investment properties	228,234	229,116
	<u>259,758</u>	<u>261,606</u>

12. COMMITMENTS

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

Operating lease commitments – as lessor

The Group had total future minimum lease receivables under the non-cancellable operating leases with the tenants falling due as follows:

	As at 30th September 2016 HK\$'000 (unaudited)	As at 31st March 2016 HK\$'000 (audited)
Not later than one year	5,160	6,463
Later than one year and not later than five years	16,291	13,393
More than five years	–	4,335
	<u>21,451</u>	<u>24,191</u>

Operating lease commitments – as lessee

The Group had total future minimum lease payment under non-cancellable operating leases falling due as follows:

	As at 30th September 2016 HK\$'000 (unaudited)	As at 31st March 2016 HK\$'000 (audited)
Not later than one year	115,268	98,877
Later than one year and not later than five years	161,332	175,215
	<u>276,600</u>	<u>274,092</u>

13. CONTINGENT LIABILITIES

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

14. SEASONALITY OF OPERATION

The Group's business in sale of watches is subject to seasonal fluctuations, with higher sales amount in the first and fourth quarters of the calendar year. This is due to holiday periods. The Group's business in investment holding has no specific seasonality factor.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Review

For the six months ended 30th September 2016, the Group's consolidated revenue amounted to HK\$407 million, representing a decrease of 6% (2015: increase of 11%) from HK\$431 million in the same period of last year was due to the slightly drop in watches sales in both Hong Kong and China. The drop in average same store sales for the reporting period in Hong Kong and China was 4% and 10% respectively as compared with the corresponding period in last year. Gross profit margin increased slightly by 3% to 23% during this period was due to better performance in Hong Kong.

Distribution costs decreased by 14% to HK\$92 million during this period were mainly attributable to the decrease in rental expenses in Hong Kong and China due to the tightening of control on expenses. Administrative expenses amounted to HK\$13 million during this period which were comparable to those of last year. Other income decreased by HK\$5 million to HK\$1 million during this period as there was an one-off gain from the disposal of trading securities in last year. Finance costs amounted to HK\$2 million during this period which were comparable to those of last year.

Liquidity and financial resources

As at 30th September 2016, the Group's total cash balance amounted to HK\$41 million (31st March 2016: HK\$33 million). The increase was mainly due to the reduced inventory level as a result of tightening of control on such. Gearing ratio of the Group, expressed as a ratio of total borrowings over total equity, was 26% as at 30th September 2016 (31st March 2016: 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 continued to improve its operating results and achieved a small profit of HK\$2 million in this period as compared with a loss of HK\$15 million in the same period of last year.

The Group operates 10 stores in Hong Kong and China. The Group remained focus on its core stores and has streamlined their operating costs during the period and will continue to do so with a view to further enhance the cost efficiency of each store. The overall sentiment in the luxury retail business in Hong Kong and China still remained weak due to the slowdown of the economic growth in China and the change 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 improve its business and take a cautious approach in its future expansion.

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

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices by emphasising a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company.

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the period ended 30th September 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; (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 period, 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. The 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.

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

The Company has adopted a code for securities transactions by Directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

All Directors have confirmed that they complied with the required standards set out in the Code of Conduct throughout the period under review.

Interim Dividend

The directors resolved not to declare an interim dividend in respect of the six months ended 30th September 2016 (2015: Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities during the six months ended 30th September 2016.

Employees and Remuneration Policy

There were 201 employees in the Group as at 30th September 2016. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses and share awards are offered to motivate employees.

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

Hong Kong, 23rd November 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*