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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 2011

#### FINANCIAL HIGHLIGHTS

	Six months ended 30th September		
	2011	2010	Change
	HK\$'000	HK\$'000	%
	(unaudited)	(unaudited)	
<b>Operations</b>			
Turnover	518,748	461,903	12.31%
Profit attributable to owners of the Company	23,217	37,554	(38.18)%
Earnings per share – Basic	0.69 HK cent	1.25 HK cents	(44.80)%
Earnings per share – Diluted	0.69 HK cent	1.25 HK cents	(44.80)%
	30th September 2011	31st March 2011	Change
	HK\$'000	HK\$'000	%
	(unaudited)	(audited)	
<b>Financial position</b>			
Total assets	912,519	789,079	15.64%
Shareholders' funds	603,668	553,942	8.98%

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 2011 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 INCOME STATEMENT

*For the six months ended 30th September 2011*

		<b>Six months ended 30th September</b>	
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Turnover</b>	3	<b>518,748</b>	461,903
Cost of sales		<b>(353,137)</b>	(314,813)
<b>Gross profit</b>		<b>165,611</b>	147,090
Valuation gains on investment properties		<b>20,250</b>	–
Other revenue		<b>19,335</b>	15,696
Distribution costs		<b>(139,340)</b>	(104,504)
Administrative expenses		<b>(20,693)</b>	(17,118)
<b>Profit from operations</b>		<b>45,163</b>	41,164
Finance costs	4(a)	<b>(2,785)</b>	(103)
Other expenses, net		<b>(7,703)</b>	–
<b>Profit before taxation</b>	4	<b>34,675</b>	41,061
Income tax	5	<b>(11,458)</b>	(3,507)
<b>Profit for the period</b>		<b>23,217</b>	37,554
<b>Attributable to</b>			
Owners of the Company		<b>23,217</b>	37,554
<b>Earnings per share</b>	6		
Basic (HK cents)		<b>0.69</b>	1.25
Diluted (HK cents)		<b>0.69</b>	1.25

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30th September 2011*

	<b>Six months ended 30th September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit for the period</b>	<b>23,217</b>	<b>37,554</b>
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>7,217</u>	<u>10,571</u>
<b>Total comprehensive income for the period</b>	<u><b>30,434</b></u>	<u><b>48,125</b></u>
<b>Attributable to owners of the Company</b>	<u><b>30,434</b></u>	<u><b>48,125</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2011

		30th September 2011 HK\$'000 (unaudited)	31st March 2011 HK\$'000 (audited)
Notes			
<b>Non-current assets</b>			
		76,038	24,632
Property, plant and equipment		1,078	1,081
Prepaid lease payments		122,237	105,746
Investment properties		5,273	5,273
Available-for-sale investments		204,626	136,732
<b>Current assets</b>			
		483,962	387,037
Inventories		6	6
Prepaid lease payments		157,451	108,941
Trade and other receivables	8	8,576	15,843
Trade securities		57,898	140,520
Cash and cash equivalents		707,893	652,347
<b>Current liabilities</b>			
		206,426	153,540
Trade and other payables	9	45,323	5,938
Short term bank loans		7,471	7,599
Income tax payable		259,220	167,077
<b>Net current assets</b>			
		448,673	485,270
<b>Total assets less current liabilities</b>			
		653,299	622,002
<b>Non-current liabilities</b>			
		2,230	2,268
Rental received in advance		18,178	16,097
Deferred tax liabilities		29,223	49,695
Convertible Notes	10	49,631	68,060
<b>Net assets</b>			
		603,668	553,942
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
		68,343	65,010
Share capital		535,325	488,932
Reserves		603,668	553,942
<b>Total equity</b>			
		603,668	553,942

*Notes:*

## **1. GENERAL**

The Group is principally engaged in trading and retailing of watches and investment holding.

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 is situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The unaudited interim financial results 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 29th November 2011.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited interim financial results 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 interim financial results 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 interim financial results are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st March 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as noted below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1(Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-Time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK (IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

## **3. TURNOVER AND SEGMENT INFORMATION**

Operating segments are identified on the basis of internal reports about components of the Group. This information is reported to and regularly reviewed by the Board of Directors of the Company in order to allocate resources to the segment and assess its performance.

The Group’s operating segments are: (i) sale of watches and (ii) investment holding.

- (i) The sale of watches segment derives its revenue primarily from the manufacture and sale of various types of watches.
- (ii) The investment holding segment derives its revenue primarily from investment properties and securities.

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

	For the six months ended 30th September 2011 (Unaudited)				
	Sale of watches HK\$'000	Investment holding HK\$'000	Segmental total HK\$'000	Unallocated (Note) HK\$'000	Total HK\$'000
External revenue	517,103	1,645	518,748	–	518,748
Turnover	<u>517,103</u>	<u>1,645</u>	<u>518,748</u>	<u>–</u>	<u>518,748</u>
Operating profit	29,867	940	30,807	(6,072)	24,735
Valuation gain on investment properties	–	20,250	20,250	–	20,250
Interest income	177	–	177	1	178
Other expenses, net	–	(7,703)	(7,703)	–	(7,703)
Finance costs	(920)	–	(920)	(1,865)	(2,785)
Segment results	<u>29,124</u>	<u>13,487</u>	<u>42,611</u>	<u>(7,936)</u>	<u>34,675</u>
Income tax					(11,458)
Profit for the period					<u>23,217</u>
Depreciation and amortisation	7,640	232	7,872	3	7,875
	As at 30th September 2011 (Unaudited)				
	Sale of watches HK\$'000	Investment holding HK\$'000	Segmental total HK\$'000	Unallocated (Note) HK\$'000	Total HK\$'000
Segment assets	757,181	134,023	891,204	16,042	907,246
Available-for-sale investments	–	–	–	5,273	5,273
Total assets	<u>757,181</u>	<u>134,023</u>	<u>891,204</u>	<u>21,315</u>	<u>912,519</u>
Additions to non-current segment assets during the period	<u>58,701</u>	<u>36</u>	<u>58,737</u>	<u>–</u>	<u>58,737</u>
Segment liabilities	234,223	25,280	259,503	41,877	301,380
Income tax payable	<u>6,013</u>	<u>1,458</u>	<u>7,471</u>	<u>–</u>	<u>7,471</u>
Total liabilities	<u>240,236</u>	<u>26,738</u>	<u>266,974</u>	<u>41,877</u>	<u>308,851</u>

Note: Unallocated items mainly include (i) finance cost and corporate costs which cannot be meaningfully allocated to individual segment; and (ii) assets and liabilities that are not directly attributable to any reportable segment.

	For the six months ended 30th September 2010 (Unaudited)				
	Sale of watches <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated ( <i>Note</i> ) <i>HK\$'000</i>	Total <i>HK\$'000</i>
External revenue	460,545	1,358	461,903	–	461,903
Turnover	460,545	1,358	461,903	–	461,903
Operating profit	42,550	671	43,221	(2,277)	40,944
Interest income	220	–	220	–	220
Finance costs	–	–	–	(103)	(103)
Segment results	42,770	671	43,441	(2,380)	41,061
Income tax					(3,507)
Profit for the period					37,554
Depreciation and amortisation	7,491	225	7,716	51	7,767

	As at 31st March 2011 (Audited)				
	Sale of watches <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated ( <i>Note</i> ) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	579,696	124,770	704,466	79,340	783,806
Available-for-sale investments	—	—	—	5,273	5,273
Total assets	<u>579,696</u>	<u>124,770</u>	<u>704,466</u>	<u>84,613</u>	<u>789,079</u>
Additions to non-current segment assets during the year	<u>14,999</u>	<u>20</u>	<u>15,019</u>	<u>—</u>	<u>15,019</u>
Segment liabilities	150,310	21,922	172,232	55,306	227,538
Income tax payable	<u>6,141</u>	<u>1,458</u>	<u>7,599</u>	<u>—</u>	<u>7,599</u>
Total liabilities	<u>156,451</u>	<u>23,380</u>	<u>179,831</u>	<u>55,306</u>	<u>235,137</u>

*Note:* Unallocated items mainly include (i) finance cost and corporate costs which cannot be meaningfully allocated to individual segment; and (ii) assets and liabilities that are not directly attributable to any reportable segment.

## 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. The geographical location of customers refers 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 and investment properties. The geographical locations of non-current assets are based on the physical location of the asset under consideration.

	Revenues from external customers		Non-current assets	
	Six months ended		30th September	31st March
	30th September		30th September	
	2011	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China, excluding Hong Kong	423,714	397,413	68,711	20,958
Hong Kong (place of domicile)	88,643	64,435	107,175	86,927
Switzerland	6,391	54	23,467	23,574
Others*	—	1	—	—
	<u>518,748</u>	<u>461,903</u>	<u>199,353</u>	<u>131,459</u>

\* Others included U.S.A.

## Information about major customers

During the period, none of the Group's revenue was derived from transactions with individual external customers that amounted to 10 per cent or more of the Group's revenue.

## 4. PROFIT BEFORE TAXATION

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

### (a) Finance costs

	Six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest payable on bank loans	920	—
Interest payable on convertible notes	1,865	103
	<u>2,785</u>	<u>103</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>2,785</u>	<u>103</u>



**(b) Other items**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net exchange loss	<b>292</b>	1,386
Amortisation of prepaid lease payments	<b>3</b>	31
Depreciation	<b>7,872</b>	7,736
Write back of inventories, net	<b>(2,355)</b>	(4,451)
Staff costs including directors' fees and emoluments	<b>49,007</b>	39,264
Cost of inventories recognised as expenses	<b>353,137</b>	314,813

**5. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current:		
Hong Kong	–	–
Outside Hong Kong	<b>8,117</b>	3,507
Deferred tax:		
Current period	<b>3,341</b>	–
	<b>11,458</b>	3,507

Hong Kong Profits Tax is calculated at a rate of 16.5% of the estimated assessable profit for the period. No Hong Kong Profits Tax is provided because the assessable profits generated during the period are set off by the accumulated tax losses brought forward from previous year.

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

## 6. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	<b>23,217</b>	<b>37,554</b>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share		
Issued ordinary shares at 1st April	<b>3,250,499,442</b>	600,695,128
Effect of subdivision of shares	–	2,402,780,512
Effect of conversion into shares from convertible notes	<b>104,735,882</b>	–
Weighted average number of ordinary shares for the purpose of basic earnings per share at 30th September	<b>3,355,235,324</b>	<b>3,003,475,640</b>

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of HK\$25,082,000 (2010: HK\$37,657,000) and the weighted average number of ordinary shares of 3,541,544,848 shares (2010: 3,016,590,395 shares) calculated as follows:

**Weighted average number of shares (diluted)**

	<b>Six months ended 30th September</b>	
	<b>2011</b>	<b>2010</b>
	<b>Number of shares (unaudited)</b>	<b>Number of shares (unaudited)</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share (before further adjustment)	<b>3,250,499,442</b>	600,695,128
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,355,235,324</b>	3,003,475,640
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	<b>186,309,524</b>	13,114,755
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	<b>3,541,544,848</b>	3,016,590,395

**Profit attributable to owners of the Company (diluted)**

	<b>Six months ended 30th September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit attributable to owners of the Company	<b>23,217</b>	37,554
After tax effect of effective interest on the liability component of convertible notes	<b>1,865</b>	103
Profit attributable to owners of the Company (diluted)	<b>25,082</b>	37,657

Diluted earnings per share is equal to the basic earnings per share for the period ended 30th September 2011 because the outstanding convertible notes and share options had an anti-dilutive effect on the basic earnings per share for the period ended 30th September 2011.

## 7. DIVIDENDS

The Directors resolved not to pay interim dividend for the six months ended 30th September 2011 (2010: 0.2 HK cent per share).

On 10th October 2011, a dividend of 0.2 HK cent per share was paid to the shareholders as the final dividend for the year ended 31st March 2011 (2010: 1.5 HK cents per share with nominal value of HK\$0.1 per share).

## 8. TRADE AND OTHER RECEIVABLES

Trade receivables are due within 90 days from the date of billing. Included in trade and other receivables are debtors with the following aging analysis:

	30th September 2011 HK\$'000 (unaudited)	31st March 2011 HK\$'000 (audited)
Trade receivables		
Up to 90 days	60,150	54,387
91 to 180 days	156	533
Over 180 days	288	233
	<hr/> 60,594	<hr/> 55,153
Allowance for doubtful debts	–	–
	<hr/> 60,594	<hr/> 55,153
Other receivables	6,487	5,112
	<hr/> 67,081	<hr/> 60,265
Loans and receivables	90,370	48,676
	<hr/> 157,451	<hr/> 108,941
	<hr/> <hr/>	<hr/> <hr/>

## 9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following aging analysis:

	30th September 2011 HK\$'000 (unaudited)	31st March 2011 HK\$'000 (audited)
Trade payables		
Up to 90 days	45,555	35,463
91 to 180 days	936	296
Over 180 days	6,150	1,406
	<hr/> 52,641	<hr/> 37,165
Other payables and accrued charges	66,012	37,643
Deposits received	3,376	3,039
Other tax payables	84,397	75,693
	<hr/> 206,426	<hr/> 153,540
Financial liabilities measured at amortised cost	<hr/> <hr/>	<hr/> <hr/>

## 10. CONVERTIBLE NOTES

On 31st August 2010, the Company entered into a Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed, to procure Placees to subscribe for convertible notes (the “Convertible Notes”) issued by the Company in an aggregate principal amount of up to HK\$100,800,000 on a “best-efforts” basis. On 27th September 2010, the Company completed the Placing of HK\$100,800,000 Convertible Notes to independent Placees. The Convertible Notes carry interest at 3% per annum and the principal amounts of all Convertible Notes shall be due and repayable on the third anniversary of the date of issue. The Convertible Notes entitle their holders to convert their outstanding principal amounts into new Conversion Shares at the initial conversion price of HK\$0.84 per conversion share of HK\$0.10 each (subject to anti-dilutive adjustment). Pursuant to the terms and conditions of the Convertible Notes, the conversion price of the Convertible Notes was adjusted from HK\$0.84 per conversion share of HK\$0.10 each to HK\$0.168 per subdivided share of HK\$0.02 each as a result of the Share Subdivision (refer to note 11 for details). The above adjustment took effect from the close of business of Monday, 15th November 2010.

The movement of the liability component of the Convertible Notes is set out as below:

	<i>HK\$'000</i>
Liability component as at 31st March 2011	49,695
Interest expenses	1,865
Payment of interest expenses	(345)
Transfer to share capital and share premium upon conversion of Convertible Notes	(21,992)
	<hr/>
Liability component as at 30th September 2011	<u>29,223</u>

The fair value of the liability component at the date of the issue of the Convertible Notes was calculated using a market interest rate for a similar instrument. The residual amount, representing the value of the equity conversion component, is included in the convertible notes equity reserve.

## 11. SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

On 18th October 2010, the Company proposed that each of the existing issued and unissued ordinary shares of par value of HK\$0.10 each in the share capital of the Company be subdivided into 5 subdivided shares of par value of HK\$0.02 each (the “Share Subdivision”). The Share Subdivision was approved by the shareholders at the SGM held on 12th November 2010. The Share Subdivision was effective on 15th November 2010 and the subdivided shares were traded in board lots of 5,000 subdivided shares thereafter.

## 12. PLEDGE OF ASSETS

As at 30th September 2011, the Group’s general banking facilities were secured by certain leasehold properties, prepaid lease payments and investment properties with carrying value of HK\$50,027,000 (31st March 2011: HK\$1,008,000), HK\$537,000 (31st March 2011: HK\$540,000) and HK\$100,000,000 (31st March 2011: HK\$79,900,000) respectively.

### **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 and no litigation 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 and investment holding has no specific seasonality factor.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### *Interim Review*

For the six months ended 30th September 2011, the Group's consolidated turnover amounted to HK\$518.7 million, representing an increase of 12% (2010: 36%) from HK\$461.9 million in the same period last year. The average same store sales for the reporting period increased 29% over the corresponding period when excluded existing flagship store in Beijing. The Group's operating profit before taxation for the period was HK\$34.7 million compared to HK\$41.1 million of the corresponding period. The Group recorded a valuation gain of HK\$20.3 million for the investment properties during the period (2010: Nil). During the reporting period, two operating activities adversely affected the Group's performance: (a) Dramatic scale down of our flagship store in Beijing due to refurbishment of shopping center. The store sale footage had drastically reduced from 965 sq.m. to 282 sq.m. (b) Initial high fixed cost incurred in preparing the opening of our new flagship store, Beijing Macau Center in Beijing. HK\$14 million fixed rent had been charged.

Distribution costs increased by 33% to HK\$139.3 million mainly due to the impact of the new flagship store as mentioned above. Administrative expenses increased by 21% from HK\$17.1 million to HK\$20.7 million due to the incurrence of share-based payment expenses in this period. Other expenses increased by HK\$7.7 million representing mainly an unrealised loss on investment in listed financial assets valued at fair value.

In order to manage the rising costs in Mainland China, the Group has taken initiatives in reviewing our operations and make efforts to optimise the utilisation of the Group's resources. We will speed up the opening of our new flagship store in Beijing and close down the stores that do not achieve reasonable returns on investment. The Group will fuel our growth with major European brands and through superior customer support services. These strategic moves are essential to the Group to maintain its competitiveness and profitability and to maximise shareholders' investment returns.

### *Liquidity and financial resources*

As at 30th September 2011, the Group's total cash balance amounted to HK\$57,898,000 (31st March 2011: HK\$140,520,000). The decrease was mainly due to the purchase of new office in Shanghai which amounted to HK\$49.1 million and increase in Group's inventories. Gearing ratio of the Group, expressed as a ratio of total borrowing over total equity, was 12% as at 30th September 2011 (31st March 2011: 10%). Short term bank loans were increased to HK\$45.3 million as a result of more points of sales were came into operation during the period.

### *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**

Sales of luxury watches are being boosted by rising living standards and purchase power of consumers from Mainland China. The luxury watch market in Mainland China has been growing at a fast pace over the past 5 years, even after taking into account of the serious recession of 2008-09. The Group remains positive that the retail market of luxury watches in Mainland China has extensive room for long term growth.

The Group will continue to strengthen our presence in first tier cities through intensive organic growth as we penetrate deeper into existing markets by providing excellent customer services. The Group will also be seeking out promising new brands and exploring opportunities in second and third tier cities in Mainland China. Management is watchful of possible slowdown of retail market in luxury segment, and will accordingly continue to take a cautious and prudent approach in managing the Group's business and in assessing new investment opportunities.

### **Employees and Remuneration Policy**

There were 524 employees in the Group as at 30th September 2011. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses, share awards and staff share options are offered to motivate employees.

### **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 Code on Corporate Governance Practices (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 2011 except for the deviation from the code provision A.4.1 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.

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**

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 period under review.

## **OTHER INFORMATION**

### **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 2011.

### **2002 Share Option Scheme**

On 20th September 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "2002 Share Option Scheme"). The purpose of the 2002 Share Option Scheme is to encourage qualifying grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Qualifying grantees of the 2002 Share Option Scheme mean (i) any employee or any business-related consultant, agent, representative or advisor of the Company or any subsidiary or any affiliate; or (ii) any supplier, agent or consultant who provide goods or services to the Company or any subsidiary or any affiliate; or (iii) any customer of the Company or any subsidiary or any affiliate; or (iv) any business ally or joint venture partner of the Company or any subsidiary or any affiliate.

Refreshment of 2002 Share Option Scheme mandate limit (the "Refreshment") and amendment of rules of 2002 Share Option Scheme (the "Amendment") had been approved at the annual general meeting of the Company held on 26th August 2008.

On 31st March 2011, the Company issued 146,800,000 share options to the qualifying grantees to subscribe for ordinary shares of HK\$0.02 each in the share capital of the Company under the 2002 Share Option Scheme, subject to acceptance by the grantees and other conditions being fulfilled.

During the six months ended 30th September 2011, 20,700,000 share options were lapsed but no option was granted, exercised or cancelled during the period. There were 126,100,000 share options outstanding at 30th September 2011 (2010: Nil) with weighted average exercise price of HK\$0.394. The share options outstanding at 30th September 2011 had an exercise price of HK\$0.394 (2010: Nil) and a weighted average remaining contractual life of 9.5 years (2010: Nil).

### **Share Award Plan 2010**

On 13th September 2010, the shareholders of the Company approved the adoption of a share award plan (the "Share Award Plan 2010").

The Share Award Plan 2010 is a ten-year discretionary share award and ownership plan. It is primarily for encouraging or facilitating the holding of shares by those selected employees of the Group who, as determined by the Board, are eligible to participate in the plan and to whom new shares are or will be awarded. The Directors will make use of the plan to award new shares to those selected employees of the Group on suitable terms as incentives and rewards for their contribution to the Group.

No award was granted, exercised, cancelled or lapsed during the six months ended 30th September 2011 and as at 30th September 2011, there were no outstanding award granted under the Share Award Plan 2010.

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

Hong Kong, 29th November 2011

*As at the date of this announcement, the Board comprises Mr. Eav Yin (Chairman), Mr. Eav Ming Keong, Kinson, Mr. Duong Ming Chi, Henry and Mr. André Francois Meier 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*