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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 2012

#### FINANCIAL HIGHLIGHTS

	<b>Six months ended 30th September</b>		
	<b>2012</b>	2011	<b>Change</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>	
<b>Operations</b>			
Turnover	<b>577,529</b>	518,748	11.3
(Loss)/profit attributable to owners of the Company	<b>(67,634)</b>	23,217	N/A
(Loss)/earnings per share – Basic	<b>(1.98) HK cents</b>	0.69 HK cent	N/A
(Loss)/earnings per share – Diluted	<b>(1.98) HK cents</b>	0.69 HK cent	N/A
	<b>30th September 2012</b>	31st March 2012	<b>Change</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<b>(unaudited)</b>	<b>(audited)</b>	
<b>Financial position</b>			
Total assets	<b>1,115,997</b>	1,075,672	3.7
Equity attributable to owners of the Company	<b>469,894</b>	538,609	(12.7)
Non-controlling interests	<b>9,444</b>	9,707	(2.7)

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 2012 together with the comparative figures of the last corresponding period. The interim financial results has been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2012

		<b>Six months ended</b>	
		<b>30th September</b>	
	<i>Notes</i>	<b>2012</b>	2011
		<b>HK\$’000</b>	HK\$’000
		<b>(unaudited)</b>	(unaudited)
<b>Turnover</b>	3	<b>577,529</b>	518,748
Cost of sales		<b>(409,048)</b>	(353,137)
<b>Gross profit</b>		<b>168,481</b>	165,611
Valuation gains on investment properties		–	20,250
Other revenue		<b>9,644</b>	19,335
Distribution costs		<b>(210,137)</b>	(139,340)
Administrative expenses		<b>(20,513)</b>	(20,693)
Other expenses, net		<b>(2,747)</b>	(7,703)
Finance costs	4(a)	<b>(10,299)</b>	(2,785)
<b>(Loss)/profit before taxation</b>	4	<b>(65,571)</b>	34,675
Income tax	5	<b>(2,326)</b>	(11,458)
<b>(Loss)/profit for the period</b>		<b>(67,897)</b>	23,217
<b>Attributable to:</b>			
Owners of the Company		<b>(67,634)</b>	23,217
Non-controlling interests		<b>(263)</b>	–
		<b>(67,897)</b>	23,217
<b>(Loss)/earnings per share</b>	6		
Basic (HK cents)		<b>(1.98)</b>	0.69
Diluted (HK cents)		<b>(1.98)</b>	0.69

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

*For the six months ended 30th September 2012*

	<b>Six months ended 30th September</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>(Loss)/profit for the period</b>	<b>(67,897)</b>	23,217
	-----	-----
<b>Other comprehensive (loss)/income for the period</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(4,986)</b>	7,217
	-----	-----
Total other comprehensive (loss)/income for the period (net of nil tax)	<b>(4,986)</b>	7,217
	-----	-----
<b>Total comprehensive (loss)/income for the period (net of nil tax)</b>	<b>(72,883)</b>	30,434
	=====	=====
<b>Attributable to:</b>		
Owners of the Company	<b>(72,620)</b>	30,434
Non-controlling interests	<b>(263)</b>	-
	-----	-----
	<b>(72,883)</b>	30,434
	=====	=====

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30th September 2012*

		30th September 2012 <i>HK\$'000</i> (unaudited)	31st March 2012 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		63,270	49,660
Prepaid lease payments		20,891	21,128
Investment properties		159,128	159,599
Available-for-sale investments		6,056	6,056
Rental deposits and prepayments		52,601	49,142
		<b>301,946</b>	<b>285,585</b>
<b>Current assets</b>			
Inventories		652,759	596,594
Prepaid lease payments		499	499
Trade and other receivables	8	110,003	95,785
Trade securities		4,351	7,098
Pledged bank deposits		420	3,965
Cash and cash equivalents		46,019	86,146
		<b>814,051</b>	<b>790,087</b>
<b>Current liabilities</b>			
Trade and other payables	9	231,618	172,859
Bank loans		281,130	233,462
Loans from a director		64,000	65,000
Current tax payable		4,121	3,614
		<b>580,869</b>	<b>474,935</b>
<b>Net current assets</b>		<b>233,182</b>	<b>315,152</b>
<b>Total assets less current liabilities</b>		<b>535,128</b>	<b>600,737</b>
<b>Non-current liabilities</b>			
Rental received in advance		2,155	2,192
Deferred tax liabilities		8,050	8,050
Convertible notes	10	31,463	29,872
Other liabilities		14,122	12,307
		<b>55,790</b>	<b>52,421</b>
<b>Net assets</b>		<b>479,338</b>	<b>548,316</b>
<b>Capital and reserves</b>			
Share capital		68,343	68,343
Reserves		401,551	470,266
<b>Equity attributable to owners of the Company</b>		<b>469,894</b>	<b>538,609</b>
Non-controlling interests		9,444	9,707
<b>Total equity</b>		<b>479,338</b>	<b>548,316</b>

*Notes:*

**1. GENERAL**

The Group is principally engaged in trading and retailing of watches 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 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 26th November 2012.

**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 2012, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as noted below:

HKFRS 1	Severe Hyperinflation and Removal of Fixed Date for First-time Adopters
HKFRS 7	Disclosures – Transfers of Financial Assets

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.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new and revised standards, amendments and interpretations that have been issued but not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>2</sup>
HKFRS 1 (Amendments)	Government Loans <sup>2</sup>
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company anticipate that the application of other new or revised standards will also have no material impact on the results and the financial position of the Group.

### 3. TURNOVER 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 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 2012. Segment (loss)/profit represents the (loss) from/profit earned by each segment without allocation of central administration costs such as those finance 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 sales 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 income statement.

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 borrowings not attributable to individual segments and corporate liabilities.

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

	<b>For the six months ended 30th September 2012 (Unaudited)</b>				
	<b>Sale of watches HK\$'000</b>	<b>Properties leasing HK\$'000</b>	<b>Segmental total HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
External revenue	575,252	2,277	577,529	–	577,529
Turnover ( <i>Note</i> )	<u>575,252</u>	<u>2,277</u>	<u>577,529</u>	<u>–</u>	<u>577,529</u>
Operating (loss)/profit	(50,064)	581	(49,483)	(3,120)	(52,603)
Interest income	77	–	77	1	78
Other expenses, net	–	(2,747)	(2,747)	–	(2,747)
Finance costs	(7,974)	(275)	(8,249)	(2,050)	(10,299)
Segment results	<u>(57,961)</u>	<u>(2,441)</u>	<u>(60,402)</u>	<u>(5,169)</u>	<u>(65,571)</u>
Income tax					(2,326)
Loss for the period					<u>(67,897)</u>
Depreciation and amortisation	<u>14,656</u>	<u>257</u>	<u>14,913</u>	<u>–</u>	<u>14,913</u>

*Note:*

There were no inter-segment sales during the six months ended 30th September 2012.

	As at 30th September 2012 (Unaudited)				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>939,483</u>	<u>166,093</u>	<u>1,105,576</u>	<u>4,365</u>	<u>1,109,941</u>
Available-for-sale investments					<u>6,056</u>
Total assets					<u>1,115,997</u>
Additions to non-current segment assets during the reporting period	<u>36,968</u>	<u>6</u>	<u>36,974</u>	<u>–</u>	<u>36,974</u>
Segment liabilities	<u>568,371</u>	<u>27,769</u>	<u>596,140</u>	<u>36,398</u>	<u>632,538</u>
Current tax payable					<u>4,121</u>
Total liabilities					<u>636,659</u>

	For the six months ended 30th September 2011 (Unaudited)				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
External revenue	<u>517,103</u>	<u>1,645</u>	<u>518,748</u>	<u>–</u>	<u>518,748</u>
Turnover ( <i>Note</i> )	<u>517,103</u>	<u>1,645</u>	<u>518,748</u>	<u>–</u>	<u>518,748</u>
Operating profit/(loss)	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	<u>(920)</u>	<u>–</u>	<u>(920)</u>	<u>(1,865)</u>	<u>(2,785)</u>
Segment results	<u>29,124</u>	<u>13,487</u>	<u>42,611</u>	<u>(7,936)</u>	<u>34,675</u>
Income tax					<u>(11,458)</u>
Profit for the period					<u>23,217</u>
Depreciation and amortisation	<u>7,640</u>	<u>232</u>	<u>7,872</u>	<u>3</u>	<u>7,875</u>

*Note:*

There were no inter-segment sales during the six months ended 30th September 2011.



	As at 31st March 2012 (Audited)				Total HK\$'000
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	
Segment assets	<u>858,690</u>	<u>162,435</u>	<u>1,021,125</u>	<u>48,491</u>	1,069,616
Available-for-sale investments					<u>6,056</u>
Total assets					<u>1,075,672</u>
Additions to non-current segment assets during the reporting period	<u>85,921</u>	<u>27,418</u>	<u>113,339</u>	<u>–</u>	<u>113,339</u>
Segment liabilities	<u>462,310</u>	<u>20,403</u>	<u>482,713</u>	<u>41,029</u>	523,742
Current tax payable					<u>3,614</u>
Total liabilities					<u>527,356</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 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, 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 2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	30th September 2012 HK\$'000 (unaudited)	31st March 2012 HK\$'000 (audited)
The People's Republic of China, excluding Hong Kong	<b>392,226</b>	423,714	<b>116,938</b>	105,290
Hong Kong (place of domicile)	<b>183,233</b>	88,643	<b>161,281</b>	156,249
Switzerland	<b>2,059</b>	6,391	<b>17,671</b>	17,990
Others	<b>11</b>	–	–	–
	<u><b>577,529</b></u>	<u>518,748</u>	<u><b>295,890</b></u>	<u>279,529</u>

### Information about major customers

During the period, no revenue derived from transactions with a single customer represented 10% or more of the Group's total revenue.

#### 4. (LOSS)/PROFIT BEFORE TAXATION

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

##### (a) Finance costs

	Six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	7,181	920
Interest on convertible notes	1,591	1,865
Interest in loans from a director	1,527	—
	<hr/>	<hr/>
Total interest expenses on financial liabilities not at fair value through profit or loss	<b>10,299</b>	<b>2,785</b>
	<hr/> <hr/>	<hr/> <hr/>

##### (b) Other items

	Six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange (gain)/loss	(502)	292
Amortisation of prepaid lease payments	247	3
Depreciation for property, plant and equipment	14,666	7,872
Write back of inventories, net	(2,388)	(2,355)
Staff costs including directors' fees and emoluments	52,181	49,007
Cost of inventories recognised as expenses	409,048	353,137
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	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Current:		
Hong Kong Profits Tax	–	–
Outside Hong Kong	<b>2,326</b>	8,117
Deferred tax:		
Current period	–	3,341
	<u>2,326</u>	<u>11,458</u>
	<b><u>2,326</u></b>	<b><u>11,458</u></b>

No Hong Kong Profits Tax is provided for the period as the Group has no estimated assessable profits in Hong Kong for the six months ended 30th September 2012.

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

## 6. (LOSS)/EARNINGS PER SHARE

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

The calculation of the basic (loss)/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>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
(Loss)/profit for the period attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	<u><b>(67,634)</b></u>	<u>23,217</u>
	<b>Number</b>	Number
	<b>of shares</b>	of shares
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share		
Issued ordinary shares at 1st April	<b>3,417,166,107</b>	3,250,499,442
Effect of conversion into shares from convertible notes	–	104,735,882
	<u><b>3,417,166,107</b></u>	<u>3,355,235,324</u>
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share at 30th September	<b><u>3,417,166,107</u></b>	<b><u>3,355,235,324</u></b>

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

- (i) Diluted loss per share is equal to the basic loss per share for the six months ended 30th September 2012 because the outstanding convertible notes had an anti-dilutive effect on the basic loss per share.

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 six months ended 30th September 2012.

- (ii) The calculation of diluted earnings per share for the six months ended 30th September 2011 is based on the following data:

	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,355,235,324
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	186,309,524
	<hr/>
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	3,541,544,848
	<hr/> <hr/>

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

	Six months ended 30th September 2011 <i>HK\$'000</i> (unaudited)
Profit attributable to the owners of the Company	23,217
After tax effect of effective interest on the liability component of convertible notes	1,865
	<hr/>
Profit attributable to owners of the Company for the purpose of diluted earnings per share	25,082
	<hr/> <hr/>

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 earning per share for the six months ended 30th September 2011.

## 7. DIVIDENDS

The Directors resolved not to pay any interim dividend for the six months ended 30th September 2012 (2011: Nil).

## 8. TRADE AND OTHER RECEIVABLES

The Group allows credit period of ranging from cash on delivery to 90 days to its customers. Included in trade and other receivables are debtors with the following aging analysis:

	<b>30th September 2012 HK\$'000 (unaudited)</b>	31st March 2012 HK\$'000 (audited)
Trade receivables		
Up to 90 days	<b>43,022</b>	45,647
91 to 180 days	<b>2,461</b>	174
181 to 365 days	<b>479</b>	1,429
Over 365 days	<b>6,280</b>	217
	<hr/>	<hr/>
	<b>52,242</b>	47,467
Allowance for doubtful debts	–	–
	<hr/>	<hr/>
	<b>52,242</b>	47,467
Other receivables	<b>1,663</b>	1,950
	<hr/>	<hr/>
Loans and receivables	<b>53,905</b>	49,417
Deposits and prepayments	<b>56,098</b>	46,368
	<hr/>	<hr/>
	<b>110,003</b>	95,785
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## 9. TRADE AND OTHER PAYABLES

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

	<b>30th September 2012 HK\$'000 (unaudited)</b>	31st March 2012 HK\$'000 (audited)
Trade payables		
Up to 90 days	77,081	34,784
91 to 180 days	135	5,633
181 to 365 days	6,651	95
Over 365 days	842	1,332
	<hr/>	<hr/>
	84,709	41,844
Other payables and accrued charges	46,140	37,746
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	130,849	79,590
Rental received in advance	75	75
Deposits received	4,015	2,194
Other tax payables	96,679	91,000
	<hr/>	<hr/>
	<b>231,618</b>	<b>172,859</b>
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## 10. CONVERTIBLE NOTES

The movement of the liability component of the convertible notes is set out as below:

	<i>HK\$'000</i>
Liabilities component as at 1st April 2012	29,872
Interest expenses	1,591
	<hr/>
Liabilities component as at 30th September 2012	<b>31,463</b>
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## 11. PLEDGE OF ASSETS

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

	<b>30th September 2012 HK\$'000 (unaudited)</b>	31st March 2012 HK\$'000 (audited)
Land and buildings	871	3,319
Prepaid lease payments	532	21,081
Investment properties	117,690	144,827
Inventories	160,941	159,611
Pledged bank deposits	420	3,965
	<hr/>	<hr/>
	<b>280,454</b>	<b>332,803</b>
	<hr/> <hr/>	<hr/> <hr/>

## 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:

	<b>30th September 2012 HK\$'000 (unaudited)</b>	31st March 2012 HK\$'000 (audited)
Within one year	3,179	3,429
In the second to fifth years inclusive	4,179	5,601
	<hr/>	<hr/>
	<b>7,358</b>	<b>9,030</b>
	<hr/> <hr/>	<hr/> <hr/>

### *Operating lease commitments – as lessee*

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

	<b>30th September 2012 HK\$'000 (unaudited)</b>	31st March 2012 HK\$'000 (audited)
Within one year	<b>221,289</b>	189,852
In the second to fifth years inclusive	<b>836,087</b>	803,511
After five years	<b>348,671</b>	455,212
	<b><u>1,406,047</u></b>	<b><u>1,448,575</u></b>

### *Capital Commitments*

Capital commitments of the Group at 30th September 2012 not provided for in the condensed consolidated financial statements for the purchase of property, plant and equipment was HK\$8,659,000 (31st March 2012: HK\$7,400,000).

### **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 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 2012, the Group's consolidated turnover amounted to HK\$577.5 million, representing an increase of 11% (2011: 12%) from HK\$518.7 million in the same period last year due to the increase in the number of stores in Hong Kong which was slightly offset by the decrease in turnover in Mainland China. The average same store sales for the reporting period decreased 18% over the corresponding period when excluded existing flagship store in Beijing. Gross profit margin dropped 2.7% to 29.2% due to intense market competition.

Distribution costs increased by 51% to HK\$210.1 million mainly due to the increase in rental expenses and depreciation charges incurred in launching our new flagship store in Beijing and new stores in Hong Kong and Mainland China. Administrative expenses amounted to HK\$20.5 million which was comparable to last year. Other expenses decreased by HK\$5.0 million in this period was due to the decrease in unrealised loss on trade securities valued at fair value. No revaluation on investment properties was done in this period while we had made valuation gains of HK\$20.3 million in last year. Finance costs increased by HK\$7.5 million in this period due to the increase in bank loans and loans from a director as compared with last year.

### *Liquidity and financial resources*

As at 30th September 2012, the Group's total cash balance amounted to HK\$46,439,000 (31st March 2012: HK\$90,111,000). The decrease was mainly due to increase in inventories. Gearing ratio of the Group, expressed as a ratio of net debt over total equity, was 62% as at 30th September 2012 (31st March 2012: 43%).

### *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**

China has experienced slowdown in the economy after years of exponential growth. Despite the economic adjustment, China's domestic demand for luxury foreign goods remains cautiously optimistic as supported by the Government's continued effort to grow its domestic consumption and inland economy through policies to boost GDP growth. The Group's retail strategy is to retain its core presence in China to leverage the consumption demand from super-rich and the emerging middle-class which grow rapidly in size and wealth, with cautious selection of retail door development in Hong Kong.

The Group has adopted a moderate and prudent approach to develop our retail business in line with market demand in order to maximize our investment returns upon opening of new doors. An aggressive review and pruning of existing retail stores is being conducted to close down doors which are below the Group's performance expectation due to change in market demand and soaring rental. Such measures will enhance the quality of our retail outlets and set our core strategy to focus on fewer selective niche sites with potential to outperform when the economy regains its momentum. Being the first foreign owned watch retailer in China since 1992, the Group continues to collaborate with leading prestigious Swiss brands to foster win-win business partnership, and enrich its merchandizing assortments. The Group has also tightened its inventory control with the view to optimize working capital.

With the completion of the merchandizing selection of internationally renowned premier watch brands, our 3,000 square meters Timecity flagship store in Beijing which was opened in December 2011, has shown promising revenue growth. This Beijing store is stepping up its market position and competitiveness while leveraging on our customer loyalty program which strengthens progressively since the project kick-off in last year, with the coming opening of the talk-of-the-town VIP lounge in the flagship.

As Hong Kong remains a preferable shopping destination for Mainland Chinese visitors, the Group's development strategy is to select strategic prime locations with high pedestrian traffic flow to expand the market share. A prominent site in the renowned shopping area of Canton Road has been secured with expected store opening in mid 2013. The new Canton Road store will offer premier watch brands to capture greater sales from both local shoppers and Mainland Chinese visitors.

The Group is considering proposals to raise fund in order to enhance our financial strength and provide the working capital for store development needs. As the Group has committed tremendous efforts on strengthening management structure and implementing best practices, we are paving our way to improve shareholder value after going through a period of internal consolidation and economic challenges.

### **Employees and Remuneration Policy**

There were 582 employees in the Group as at 30th September 2012. 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 2012 except for the deviation from the code provisions A.4.1, A.6.7 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.

Due to personal commitment, Ms. Wong Wing Yue, Rosaline, an independent non-executive director of the Company, did not attend the annual general meeting of the Company held on 5th September 2012. This constituted a deviation of the code provision A.6.7 of 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.

### **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.

## **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 2012.

### **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 2012, 3,300,000 share options were lapsed but no option was granted, exercised or cancelled during the period. There were 149,920,000 share options outstanding at 30th September 2012 (2011: 126,100,000). The share options outstanding at 30th September 2012 had an exercise price of HK\$0.394 and HK\$0.263 respectively.

Grantees	No. of share options outstanding at the beginning of the period	No. of share options granted during the period	No. of share options lapsed during the period	No. of shares acquired on exercise of share options during the period	No. of share options outstanding at period end	Date of grant	Period during which share options are vested	Period during which share options are exercisable	Exercise price per share
<b>Directors</b>									
Mr. Eav Yin	10,000,000	-	-	-	10,000,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Mr. Eav Ming Keong, Kinson	7,500,000	-	-	-	7,500,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Mr. Lai Si Ming	1,250,000	-	-	-	1,250,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Ms. Wong Wing Yue, Rosaline	1,250,000	-	-	-	1,250,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Mr. Lee Tat Cheung, Vincent	1,250,000	-	-	-	1,250,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Mr. Andre' Francois Meier	34,170,000	-	-	-	34,170,000	26th October 2011	25th October 2012 to 25th October 2016	25th October 2012 to 25th October 2021	HK\$0.263
	<u>55,420,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,420,000</u>				
<b>Employees</b>	97,800,000	-	(3,300,000)	-	94,500,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
<b>Total</b>	<u><b>153,220,000</b></u>	<u><b>-</b></u>	<u><b>(3,300,000)</b></u>	<u><b>-</b></u>	<u><b>149,920,000</b></u>				

### 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 2012 and as at 30th September 2012, 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, 26th November 2012

*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*