ASIA COMMERCIAL HOLDINGS LIMITED
冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2013

FINANCIAL HIGHLIGHTS

	2013 *HK$ million*	2012 *HK$ million*	**Change** %
Operations			
Turnover	**1,099**	1,036	**6**
Loss attributable to owners of the Company	**(209)**	(61)	**N/A**
Loss per share – Basic	**(20.76 HK cents)**	(6.12 HK cents) (Restated)	**N/A**
Interim dividend declared and paid	**–**	–	
Final dividend proposed after the end of the reporting period	**–**	–	

	2013 *HK$ million*	2012 *HK$ million*	**Change** %
Financial position			
Total assets	**1,053**	1,076	**(2)**
Equity attributable to owners of the Company	**537**	539	**(1)**
Non-controlling interests	**10**	10	**N/A**

The Board of Directors (the "Board") of Asia Commercial Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2013 together with the comparative figures for 2012. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31st March 2013 but represents an extract from those financial statements. The financial information has been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March

	Note	**2013**	2012
		HK$'000	*HK$'000*
Turnover	3	**1,098,593**	1,036,249
Cost of sales		**(828,534)**	(741,421)
Gross profit		**270,059**	294,828
Valuation gains on investment properties		**7,792**	33,201
Other revenue	3	**26,300**	17,176
Distribution costs		**(410,967)**	(328,033)
Administrative expenses		**(46,673)**	(54,488)
Other net loss		**(34,957)**	(4,435)
Finance costs	5(a)	**(19,905)**	(8,977)
Loss before taxation	5	**(208,351)**	(50,728)
Income tax	6	**(393)**	(10,042)
Loss for the year		**(208,744)**	(60,770)
Attributable to:			
Owners of the Company		**(208,746)**	(60,770)
Non-controlling interests		**2**	–
		(208,744)	(60,770)
			(Restated)
Loss per share	8		
Basic *(HK cents)*		**(20.76)**	(6.12)
Diluted *(HK cents)*		**(20.76)**	(6.12)

Details of dividends payable to owners of the Company are set out in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(208,744)**	(60,770)
Other comprehensive (loss)/income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**(3,838)**	9,481
Change in fair value reserve on revaluation of available-for-sale investments	**244**	783
Surplus on revaluation of land and buildings	**1,387**	–
Total other comprehensive (loss)/income for the year (net of nil tax)	**(2,207)**	10,264
Total comprehensive loss for the year	**(210,951)**	(50,506)
Attributable to:		
Owners of the Company	**(210,953)**	(50,506)
Non-controlling interests	**2**	–
	(210,951)	(50,506)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st March

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**42,230**	49,660
Prepaid lease payments		**20,874**	21,128
Investment properties		**170,983**	159,599
Available-for-sale investments		**6,300**	6,056
Rental deposits and prepayments		**26,971**	49,142
		267,358	285,585
Current assets			
Inventories		**569,071**	596,594
Prepaid lease payments		**505**	499
Trade and other receivables	9	**93,328**	95,785
Trading securities		**3,845**	7,098
Pledged bank deposits		**2,272**	3,965
Cash and cash equivalents		**116,760**	86,146
		785,781	790,087
Current liabilities			
Trade and other payables	10	**207,876**	172,859
Bank loans		**223,764**	233,462
Convertible notes		**32,237**	–
Loans from a director		**14,000**	65,000
Provision for store closure		**12,224**	–
Current income tax payable		**3,137**	3,614
		493,238	474,935
Net current assets		**292,543**	315,152
Total assets less current liabilities		**559,901**	600,737
Non-current liabilities			
Rental received in advance		**2,117**	2,192
Deferred tax liabilities		**7,741**	8,050
Convertible notes		**–**	29,872
Other liabilities		**3,016**	12,307
		12,874	52,421
Net assets		**547,027**	548,316
Capital and reserves			
Share capital		**273,373**	68,343
Reserves		**263,945**	470,266
Equity attributable to owners of the Company		**537,318**	538,609
Non-controlling interests		**9,709**	9,707
Total equity		**547,027**	548,316

Notes:

1. **BASIS OF PREPARATION**

The annual results of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. These annual results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited. The annual results have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale investments and trading securities, which are carried at fair value, and in accordance with HKFRSs.

The Group and the Company had early applied the Amendments to Hong Kong Accounting Standard ("HKAS") 12 "Income Taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property" since the financial year beginning on 1st April 2011. In the current year, the Group and the Company have applied the Amendments to Standard issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the financial year beginning on 1st April 2012. The adoption of the Amendments to Standard had no material effect on the results and financial position of the Group or the Company for the current and/or prior accounting years.

2. **GOING CONCERN**

The Group incurred a loss attributable to the owners of the Company of HK$208,746,000 (2012: HK$60,770,000) and net cash outflow from operating activities of HK$56,094,000 (2012: HK$258,826,000) for the year ended 31st March 2013 and had decrease in net current assets of HK$22,609,000 (2012: decrease in net current assets of HK$142,904,000) and net debt of HK$150,969,000 (2012: HK$238,223,000) as stated in note to the consolidated financial statements as at 31st March 2013 respectively. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to attain profitable and positive cash flows from operations in the immediate and longer term.

The ability of the Group to operate as a going concern is dependent upon the availability of the banking facilities and therefore it is important that the financial covenants are not breached. Based on the current forecasts of the directors, the directors anticipated that there is an uncertainty that the Group might not able to meet certain financial covenants under a banking facility agreement upon the next annual test of financial covenants as at 31st March 2014. The directors will continue to monitor the forecasts closely and test the financial covenants on a regular basis. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the directors considered that it is appropriate to adopt the going concern in preparing these consolidated financial statements.

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

- the Group entered into a term loan facility agreement for HK$150 million with Mr. Eav Yin, a director and controlling shareholder of the Company for a period from 27th June 2013 to 30th September 2014;
- negotiating with banks for renewal and obtaining new banking facilities;
- the directors of the Company have been taking various cost control measures to tighten the costs of operations;
- the directors of the Company have reviewed the performance of individual stores and plan to close non-profitable stores if appropriate; and
- the Group has been implementing various strategies to enhance the Group's turnover.

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

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

3. TURNOVER AND OTHER REVENUE

Turnover represents the gross proceeds received and receivable derived from the sale of watches and property leasing and is summarised as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of watches	**1,094,047**	1,032,380
Gross rental income from investment properties	**4,546**	3,869
	1,098,593	1,036,249
Bank interest income	**216**	264
Total interest income on financial assets not at fair value through profit or loss	**216**	264
Show window rental income	**3,532**	2,788
Promotion income	**4,612**	–
Advertising income	**2,032**	974
Customer services income and others	**15,908**	13,150
	26,300	17,176

4. SEGMENT REPORTING

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note to the financial statements. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs 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 amortization of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated 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 current income tax payable, deferred tax liabilities and 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.

			2013		
	Sale of watches	**Properties leasing**	**Segmental total**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
External revenue	**1,094,047**	**4,546**	**1,098,593**	**–**	**1,098,593**
Turnover *(Note)*	**1,094,047**	**4,546**	**1,098,593**	**–**	**1,098,593**
Operating profit/(loss)	**(158,495)**	**3,593**	**(154,902)**	**(6,595)**	**(161,497)**
Valuation gains on investment properties	**–**	**7,792**	**7,792**	**–**	**7,792**
Interest income	**161**	**–**	**161**	**55**	**216**
Other net loss	**(31,704)**	**–**	**(31,704)**	**(3,253)**	**(34,957)**
Finance costs	**(16,148)**	**(453)**	**(16,601)**	**(3,304)**	**(19,905)**
Segment results	**(206,186)**	**10,932**	**(195,254)**	**(13,097)**	**(208,351)**
Income tax					**(393)**
Loss for the year					**(208,744)**
Provision for store closure	**12,178**	**–**	**12,178**	**–**	**12,178**
Impairment loss of property, plant and equipment	**2,350**	**–**	**2,350**	**–**	**2,350**
Loss on write off of property, plant and equipment	**8,185**	**–**	**8,185**	**–**	**8,185**
Loss on write off of rental deposits and prepayments	**8,173**	**–**	**8,173**	**–**	**8,173**
Write-down of inventories	**21,056**	**–**	**21,056**	**–**	**21,056**
Impairment loss of other receivables	**4**	**–**	**4**	**–**	**4**
Depreciation and amortisation	**32,148**	**512**	**32,660**	**–**	**32,660**
Segment assets	**803,237**	**177,337**	**980,574**	**66,265**	**1,046,839**
Available-for-sale investments					**6,300**
Total assets					**1,053,139**
Additions to non-current segment assets during the reporting period	**45,184**	**7**	**45,191**	**–**	**45,191**
Segment liabilities	**438,199**	**20,859**	**459,058**	**36,176**	**495,234**
Current income tax payable					**3,137**
Deferred tax liabilities					**7,741**
Total liabilities					**506,112**

Note: There were no inter-segment sales during the year ended 31st March 2013.

	Sale of watches HK$'000	Properties leasing HK$'000	2012 Segmental total HK$'000	Unallocated HK$'000	Total HK$'000
External revenue	1,032,380	3,869	1,036,249	–	1,036,249
Turnover *(Note)*	1,032,380	3,869	1,036,249	–	1,036,249
Operating (loss)/profit	(64,223)	1,798	(62,425)	(8,356)	(70,781)
Valuation gains on investment properties	–	33,201	33,201	–	33,201
Interest income	263	–	263	1	264
Other net loss	4,022	288	4,310	(8,745)	(4,435)
Finance costs	(4,789)	(734)	(5,523)	(3,454)	(8,977)
Segment results	(64,727)	34,553	(30,174)	(20,554)	(50,728)
Income tax					(10,042)
Loss for the year					(60,770)
Impairment loss on trade receivables	712	–	712	–	712
Write-down of inventories	3,527	–	3,527	–	3,527
Depreciation and amortisation	15,775	487	16,262	–	16,262
Segment assets	858,690	162,435	1,021,125	48,491	1,069,616
Available-for-sale investments					6,056
Total assets					1,075,672
Additions to non-current segment assets during the reporting period	85,921	27,418	113,339	–	113,339
Segment liabilities	455,265	20,403	475,668	40,024	515,692
Current income tax payable					3,614
Deferred tax liabilities					8,050
Total liabilities					527,356

Note: There were no inter-segment sales during the year ended 31st March 2012.

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China, excluding Hong Kong	**713,516**	801,268	**102,458**	105,290
Hong Kong (place of domicile)	**380,347**	228,546	**140,044**	156,249
Switzerland	**4,717**	6,370	**18,556**	17,990
Others	**13**	65	**–**	–
	1,098,593	1,036,249	**261,058**	279,529

Information about major customers

For the year ended 31st March 2013 and 2012, no revenue derived from transactions with a single customer represented 10% or more of the Group's total revenue.

5. LOSS BEFORE TAXATION

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

(a) Finance costs

	2013	2012
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**13,353**	4,123
Interest on convertible notes	**3,304**	3,454
Interest on loans from a director	**3,248**	1,400
Total interest expenses on financial liabilities not at fair value through profit or loss	**19,905**	8,977

(b) Staff costs

	2013 *HK$'000*	2012 *HK$'000*
Salaries, wages and other benefits (including directors' fee and emoluments)	**97,014**	93,235
Share-based payments expenses	**8,850**	12,663
Retirement benefits scheme contribution	**844**	574
	106,708	106,472

(c) Other items

	2013 *HK$'000*	2012 *HK$'000*
Rental receivable from investment properties less direct outgoings of HK$86,000 (2012: HK$201,000)	**(4,460)**	(3,668)
Net exchange loss	**96**	1,327
Auditors' remuneration		
Audit services	**1,621**	1,110
Other services	**617**	318
Depreciation for property, plant and equipment	**32,161**	15,810
Amortisation for prepaid lease payments	**499**	452
Impairment loss on trade receivables	**–**	712
Impairment loss on other receivables	**4**	–
Operating lease rentals in respect of rented premises	**220,024**	171,921
Cost of inventories recognised as expenses	**828,534**	741,421

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2013 *HK$'000*	2012 *HK$'000*
Current tax		
PRC Corporate income tax	**654**	10,439
Under-provision in respect of prior years		
PRC Corporate income tax	**48**	230
	702	10,669
Deferred tax		
Current year	**(309)**	(627)
	393	10,042

No Hong Kong Profits Tax is provided for in the consolidated financial statements as the Group has no estimated assessable profits in Hong Kong for the years ended 31st March 2013 and 2012.

Taxation for PRC subsidiary companies is provided at the appropriate current rate of 25% (2012: 25%).

7. DIVIDENDS

The directors do not propose any payment of final dividend for the year ended 31st March 2013.

A final dividend of 0.2 HK cents per share, totaling HK$6,834,000 for the year ended 31st March 2011 was paid in October 2011.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK$208,746,000 (2012: HK$60,770,000) and the weighted average number of 1,005,677,000 ordinary shares (2012: 993,148,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year ended 31st March 2012 has accounted for the share consolidation which was effective from 8th January 2013 and the rights issue completed in February 2013.

(b) Diluted loss per share

Diluted loss per share is equal to the basic loss per share for the years ended 31st March 2013 and 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 years ended 31st March 2013 and 2012.

9. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**28,495**	47,467
Allowance for doubtful debts	**–**	–
	28,495	47,467
Other receivables	**3,990**	1,950
Loans and receivables	**32,485**	49,417
Deposits and prepayments	**60,843**	46,368
	93,328	95,785

The Group allows credit period of ranging from cash on delivery to 90 days to its trade receivables. The aging analysis of trade receivables of HK$28,495,000 (2012: HK$47,467,000) which are included in the Group's trade receivables at the end of the reporting period based on invoice date is as follows:

	2013	2012
	HK$'000	*HK$'000*
Trade receivables		
Up to 90 days	**22,583**	45,647
91 to 180 days	**3,137**	174
181 to 365 days	**2,648**	1,429
Over 365 days	**127**	217
	28,495	47,467

The carrying amounts of the Group's trade and other receivables at 31st March 2013 and 2012 approximated their fair values.

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

10. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**45,702**	41,844
Other payables and accrued charges	**49,933**	37,746
Financial liabilities measured at amortised cost	**95,635**	79,590
Rental received in advance	**75**	75
Deposits received	**3,496**	2,194
Other tax payable	**108,670**	91,000
	207,876	172,859

The carrying amounts of the Group's trade and other payables at 31st March 2013 and 2012 approximated their fair values.

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade payables of HK$45,702,000 (2012: HK$41,844,000), the aging analysis of which based on date of receipt of goods as at the end of the reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
Trade payables		
Up to 90 days	**43,003**	34,784
91 to 180 days	**137**	5,633
181 to 365 days	**860**	95
Over 365 days	**1,702**	1,332
	45,702	41,844

11. PLEDGE OF ASSETS

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

	2013	2012
	HK$'000	*HK$'000*
Land and buildings	**3,198**	3,319
Prepaid lease payments	**20,833**	21,081
Investment properties	**151,676**	144,827
Inventories	**136,244**	159,611
Pledged bank deposits	**2,272**	3,965
	314,223	332,803

12. 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditors of the Company:

EMPHASIS OF MATTERS

We draw attention in note to the financial statements which indicate that the Group incurred a loss attributable to owners of the Company of HK$208,746,000 and net cash outflow from operating activities of HK$56,094,000 for the year ended 31st March 2013 and the Group had net debts of HK$150,969,000 as at 31st March 2013. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Group and the Company to attain profitable and positive cashflows from operations and the financial support from banks and the controlling shareholder. The conditions, along with other matters as set forth in note to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

SUBSEQUENT EVENT REVIEW

1) In April 2013, Asia Commercial Time City (Shanghai) Trading Co., Ltd, a wholly owned subsidiary, entered into a loan agreement (the "Agreement") with a bank in the PRC. Under the Agreement, the subsidiary was granted a loan of RMB20 million (equivalents to HK$25 million) for a period of six months. The bank loan is unsecured and has been used for purchase of inventories.

2) On 27th June 2013, Time City (Hong Kong) Limited, a wholly owned subsidiary, entered into a loan facility agreement of HK$150 million with Mr. Eav Yin, a director and controlling shareholder of the Company for a period from 27th June 2013 to 30th September 2014. The loan facilities are being interest at 1% above the prime rate of the Hong Kong and Shanghai Banking Corporation Limited per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the year was HK$1,099 million which was 6% higher than HK$1,036 million of last year. Gross profit margin declined from 28% to 25% due to intense market competition and stock provision (after netting off the write back) amounting to HK$21 million for this year. Sales from mainland China was decreased by 11% to HK$714 million while average same store sales in China was increased by 1% when excluded old flagship store in Beijing. Sales in Hong Kong were increased by 66% to HK$380 million since the new shops set up in last year were operated on a full year basis this year.

The Group had adopted a prudent approach to close down 11 non-profitable stores and abandoned 2 new projects in Beijing & Xian resulting in HK$42 million loss. While this had resulted in restructuring costs, it allows us to better focus on our profitable stores and projects.

JUVENIA brand was re-launched and accounted for HK$62 million loss during the financial period. The Group had invested HK$43 million in JUVENIA Swiss factory for the year. JUVENIA has successfully developed its own manufacturing watch movement caliber becoming a genuine Swiss watch manufacturing company. The manufacturing watch movement had successfully pasted one year independent test in laboratoire Dubois in La Chaux de fonds.

The total number of POSs is as below (after reclassification):

	As at 31st March 2013	As at 31st March 2012
Beijing	**9**	9
Shanghai	**8**	10
Shenyang	**5**	8
Chengdu, Chongqing, Urumuqi and Wuxi	**4**	7
Hong Kong	**4**	4
	30	38

Financial Review

Results review

The Group recorded a turnover of HK$1,099 million for the year ended 31st March 2013, (2012: HK$1,036 million) which was 6% higher than last year. Sales from the mainland China decreased by 11% to HK$714 million as compared with HK$801 million of last year was due to the slow down of the market during the second half of the year. Sales in Hong Kong increased by 66% to HK$380 million as compared with HK$229 million of last year due to the fact that the new POSs set up in Hong Kong in last year were operated on a full year basis this year.

Distribution costs increased by 25% to HK$411 million as compared with HK$328 million of last year was mainly due to the increase in rental expenses, depreciation and advertising expenses in the mainland China and Hong Kong as a results of full year operation of some POSs in Hong Kong. Administrative expenses decreased by 13% to HK$47 million as compared with HK$54 million of last year which was mainly due to the decrease in equity-settled share based payment expenses in this year.

Valuation gains on investment properties decreased by 75% to HK$8 million as compared with HK$33 million of last year as a result of the property stabilizing policy launched by the Hong Kong Government during the year.

Other expenses amounting to HK$35 million this year were mainly consisted of the onerous contract provision for some loss making POSs of HK$12 million and write off of assets due to closure of POSs of HK$16 million.

Finance costs increased by 122% to HK$20 million as compared with HK$9 million of last year was due to the increase in bank loans during the year.

The Group had abandoned two new project Beijing and Xian resulting in HK$30 million loss for the year.

Liquidity, financial resources and capital structure

As at 31st March 2013, the Group's total cash balance amounted to HK$119 million (2012: HK$90 million). The increase was mainly due to the fund raised by the Company through rights issue amounting to around HK$205 million which is offset by the net movement in the bank and director's loans and the cash outflow from operating activities. The Group has secured banking facilities amounting to HK$137 million which were secured by certain inventories, bank deposits, leasehold properties, prepaid lease payments, investment properties, rental assignment, assignment of dividends and shareholder's receivable as well as unlimited corporate guarantee provided by the Company. Gearing ratio of the Group, expressed as a ratio of total borrowing, over total equity, was 50% as at 31st March 2013 (2012: 61%).

Foreign exchange risks

The Group views its main currencies as Hong Kong dollars, Renminbi and Swiss Francs. The Group monitors its exposure to foreign exchange risks, and when it considers necessary and appropriate, will hedge its foreign exchange risks by using financial instruments.

Prospects

The Group believes the policy announced by Party General Secretary Xi Jinping late last year to discourage officials from extravagant spending and displays of wealth will persist for a substantial period.

The Group has taken decisive actions to close non-profitable stores in PRC, withhold new stores project and reduce corporate overhead. The financial performance of our PRC retailing business unit is expected to improve starting this month.

On 23rd June 2013, the Group has opened a new spacious Rolex Tudor boutique at a prominent location on Canton Road in Hong Kong. The market response has been very positive from Mainland Chinese tourists.

The Group is determined to rebuild its financial strength and confidence to turnaround its business.

On behalf of the Group, we sincerely thank for the kind patience of our shareholders and positive supportive of our 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 year ended 31st March 2013 except for the deviation from the code provisions A.4.1 and D.1.4 and those discussed below:

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

To enhance good corporate governance practices, Mr. Eav Yin, the Chairman of the Board has confirmed to the Board that he will voluntarily retire from his directorship at annual general meeting of the Company at least once every three years in order for the Company to comply with the Code, provided that being eligible for re-election, he may offer himself for re-election at the annual general meeting. The Chairman is Mr. Eav Yin while the function of the chief executive officer is divided between the remaining executive directors.

Code provision A.4.1 of the Code provides that non-executive director should be appointed for a specific term, subject to re-election.

During the year, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Company's Bye-Laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are not less exacting than those in the Code.

Code provision D.1.4 stipulates that directors should clearly understand delegation arrangements in place. Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments.

The Company has not entered into any written letters of appointment with its Directors. However, the Board recognises that (i) the Directors have already been subject to the laws and regulations applicable to directors of a company listed on The Stock Exchange of Hong Kong Limited, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its shareholders; (ii) all of them are well established in their professions; and (iii) the current arrangement has been adopted by the Company for several years and has proven to be effective. Therefore, the Board considers that the Directors are able to carry out their duties in a responsible and effective manner under the current arrangement.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner. The Company is committed to maintain a high standard of corporate governance practices by emphasising a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company.

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

All Directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the year under review.

OTHER INFORMATION

Final Dividend

The directors do not recommend a final dividend in respect of the year ended 31st March 2013. (2012: nil).

Purchase, Sale or Redemption of Listed Securities

In December 2012, the Company repurchased a total of 7 of its listed shares on The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”) from the open market at the price of HK$0.092 per share. Aggregate purchase consideration paid for the repurchase was HK$0.644. The repurchase was paid out from the Company’s retained profit.

All the shares repurchased during the year ended 31st March 2013 were cancelled. Accordingly, the issued share capital of the Company was reduced by the par value of the repurchased shares and the premiums paid on these shares were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company’s retained earnings to the capital redemption reserve.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or the Company had redeemed any of the Company's listed securities during the year ended 31st March 2013.

Employees and Remuneration Policy

There were 451 employees in the Group as at 31st March 2013. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses and shares under share award plan are offered to motivate employees.

Audit Committee

The Audit Committee is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board. All the members of our Audit Committee are independent non-executive Directors.

Scope of work of CCIF CPA Limited

The figures in respect of the announcement of the Group's results for the year ended 31st March 2013 have been agreed by the Group's auditor, CCIF CPA Limited to the amounts set out in the Group's audited financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the announcement.

EXPRESSION OF GRATITUDE

The Board would like to take this opportunity to express its gratitude to all staff members, shareholders, bankers, customers, suppliers and professional advisors for the sincere support to the Group.

By order of the Board
Asia Commercial Holdings Limited
Eav Yin
Chairman

Hong Kong, 28th June 2013

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*