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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 2013

FINANCIAL HIGHLIGHTS

	Six months ended 30th September		
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	Change %
Operations			
Turnover	492,007	577,529	(14.8)
Loss attributable to owners of the Company	(80,365)	(67,634)	N/A
Loss per share – Basic and diluted	(5.88) HK cents	(6.75) HK cents (Restated)	N/A
	As at 30th September 2013 HK\$'000 (unaudited)	As at 31st March 2013 HK\$'000 (audited)	Change %
Financial position			
Total assets	988,000	1,053,000	(6.2)
Equity attributable to owners of the Company	468,000	537,000	(12.9)
Non-controlling interests	10,000	10,000	N/A

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 2013 together with the comparative figures of the last corresponding period. The interim financial results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2013

		Six months ended 30th September	
	<i>Notes</i>	2013	2012
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Turnover	3	492,007	577,529
Cost of sales		(373,944)	(409,048)
Gross profit		118,063	168,481
Other revenue		19,021	9,644
Distribution costs		(190,691)	(210,137)
Administrative expenses		(19,660)	(20,513)
Other income/(expenses), net		999	(2,747)
Finance costs	4(a)	(7,121)	(10,299)
Loss before taxation	4	(79,389)	(65,571)
Income tax	5	(982)	(2,326)
Loss for the period		(80,371)	(67,897)
Attributable to:			
Owners of the Company		(80,365)	(67,634)
Non-controlling interests		(6)	(263)
		(80,371)	(67,897)
			(Restated)
Loss per share	6		
Basic and diluted (HK cents)		(5.88)	(6.75)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2013

	Six months ended 30th September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(80,371)	(67,897)
Other comprehensive income/(loss) for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	7,838	(4,986)
Total other comprehensive income/(loss) for the period (net of nil tax)	7,838	(4,986)
Total comprehensive loss for the period	(72,533)	(72,883)
Attributable to:		
Owners of the Company	(72,527)	(72,620)
Non-controlling interests	(6)	(263)
	(72,533)	(72,883)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2013

		As at 30th September 2013 HK\$'000 (unaudited)	As at 31st March 2013 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment		32,381	42,230
Prepaid lease payments		20,906	20,874
Investment properties		172,015	170,983
Available-for-sale investments		6,300	6,300
Rental deposits and prepayments		36,563	26,971
		268,165	267,358
Current assets			
Inventories		547,263	569,071
Prepaid lease payments		513	505
Trade and other receivables	8	91,062	93,328
Trading securities		4,014	3,845
Pledged bank deposits		10,462	2,272
Cash and cash equivalents		66,232	116,760
		719,546	785,781
Current liabilities			
Trade and other payables	9	228,605	207,876
Bank loans		175,136	223,764
Convertible notes	10	–	32,237
Loans from a director		68,000	14,000
Provision for store closure		6,511	12,224
Current tax payable		4,072	3,137
		482,324	493,238
Net current assets		237,222	292,543
Total assets less current liabilities		505,387	559,901
Non-current liabilities			
Rental received in advance		2,080	2,117
Deferred tax liabilities		6,735	7,741
Other liabilities		18,811	3,016
		27,626	12,874
Net assets		477,761	547,027
Capital and reserves			
Share capital		273,373	273,373
Reserves		194,685	263,945
Equity attributable to owners of the Company		468,058	537,318
Non-controlling interests		9,703	9,709
Total equity		477,761	547,027

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 condensed interim financial statements are presented in thousand of units of Hong Kong dollars (HK\$’000), unless otherwise stated, and have been approved for issue by the Board of Directors on 25th November 2013.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st March 2013, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as noted below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 1 (Amendments)	Government loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine

The amendments to Hong Kong Financial Reporting Standard (“HKFRS”) 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1st January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1st January 2014, with retrospective application required.

The Directors of the Company anticipate that the application of these amendments may result in more disclosures in the consolidated financial statements.

HKFRS 13 “Fair Value Measurement”

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial Instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The Directors of the Company anticipate that the application of this new Standard may result in more extensive disclosures in the consolidated financial statements.

Other than as described above, the Directors of the Company anticipate that the application of the other new Standards, Amendments to Standards and Interpretation will have no material impact on the results and the financial position of the Group or the Company.

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:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ¹
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 9	Financial Instruments ²
HKFRS 36 (Amendments)	Recoverable amount disclosures for non-financial assets ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² 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 2013. 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:

	For the six months ended 30th September 2013 (unaudited)				
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
External revenue	489,564	2,443	492,007	–	492,007
Turnover (<i>Note</i>)	<u>489,564</u>	<u>2,443</u>	<u>492,007</u>	<u>–</u>	<u>492,007</u>
Operating (loss)/profit	(74,198)	2,180	(72,018)	(1,350)	(73,368)
Interest income	92	–	92	9	101
Other income, net	385	–	385	614	999
Finance costs	<u>(5,437)</u>	<u>–</u>	<u>(5,437)</u>	<u>(1,684)</u>	<u>(7,121)</u>
Segment results	<u>(79,158)</u>	<u>2,180</u>	<u>(76,978)</u>	<u>(2,411)</u>	<u>(79,389)</u>
Income tax					<u>(982)</u>
Loss for the period					<u><u>(80,371)</u></u>
Depreciation and amortisation	<u>14,291</u>	<u>104</u>	<u>14,395</u>	<u>–</u>	<u>14,395</u>

Note:

There were no inter-segment sales during the six months ended 30th September 2013.

	As at 30th September 2013 (unaudited)				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>784,236</u>	<u>178,417</u>	<u>962,653</u>	<u>18,758</u>	<u>981,411</u>
Available-for-sale investments					<u>6,300</u>
Total assets					<u>987,711</u>
Additions to non-current segment assets during the reporting period	<u>22,561</u>	<u>–</u>	<u>22,561</u>	<u>–</u>	<u>22,561</u>
Segment liabilities	<u>474,752</u>	<u>20,470</u>	<u>495,222</u>	<u>3,921</u>	<u>499,143</u>
Current tax payable					<u>4,072</u>
Deferred tax liabilities					<u>6,735</u>
Total liabilities					<u>509,950</u>

	For the six months ended 30th September 2012 (unaudited)				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
External revenue	<u>575,252</u>	<u>2,277</u>	<u>577,529</u>	<u>–</u>	<u>577,529</u>
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	<u>(7,974)</u>	<u>(275)</u>	<u>(8,249)</u>	<u>(2,050)</u>	<u>(10,299)</u>
Segment results	<u>(57,961)</u>	<u>(2,441)</u>	<u>(60,402)</u>	<u>(5,169)</u>	<u>(65,571)</u>
Income tax					<u>(2,326)</u>
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 31st March 2013 (audited)				
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>803,237</u>	<u>177,337</u>	<u>980,574</u>	<u>66,265</u>	1,046,839
Available-for-sale investments					<u>6,300</u>
Total assets					<u>1,053,139</u>
Additions to non-current segment assets during the reporting period	<u>45,184</u>	<u>7</u>	<u>45,191</u>	<u>–</u>	<u>45,191</u>
Segment liabilities	<u>438,199</u>	<u>20,859</u>	<u>459,058</u>	<u>36,176</u>	495,234
Current tax payable					3,137
Deferred tax liabilities					<u>7,741</u>
Total liabilities					<u>506,112</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	31st March
	30th September		September	
	2013	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China, excluding Hong Kong	260,751	392,226	91,211	102,458
Hong Kong (place of domicile)	228,859	183,233	151,638	140,044
Switzerland	2,397	2,059	19,016	18,556
Others	—	11	—	—
	<u>492,007</u>	<u>577,529</u>	<u>261,865</u>	<u>261,058</u>

Information about major customers

For the six months ended 30th September 2013 and 2012, no revenue derived from transactions with a single customer represented 10% or more of the Group's total revenue.

4. LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended	
	30th September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	4,553	7,181
Interest on convertible notes	1,684	1,591
Interest in loans from a director	884	1,527
	<u>7,121</u>	<u>10,299</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>7,121</u>	<u>10,299</u>

(b) Other items

	Six months ended 30th September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange gain	(1,636)	(502)
Amortisation of prepaid lease payments	256	247
Depreciation for property, plant and equipment	14,139	14,666
Write back of inventories, net	(2,284)	(2,388)
Staff costs including directors' fees and emoluments	44,229	52,181
Cost of inventories recognised as expenses	373,944	409,048

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

	Six months ended 30th September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current:		
Hong Kong Profits Tax	—	—
Outside Hong Kong	982	2,326
Deferred tax:		
Current period	—	—
	982	2,326

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 2013.

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

6. 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\$80,365,000 (2012: HK\$67,634,000) and the weighted average number of 1,366,866,000 ordinary shares (2012: 1,002,255,000 ordinary shares) in issue during the period. The weighted average number of ordinary shares used in the calculation of basic loss per share for the six months ended 30th September 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 six months ended 30th September 2012 because the outstanding convertible notes had an anti-dilutive effect on the basic loss per share.

The share options had no dilutive effect because the average market price of ordinary shares did not exceed the exercise price of the share options for the six months ended 30th September 2013 and 2012.

7. DIVIDENDS

The Directors resolved not to pay any interim dividend for the six months ended 30th September 2013 (2012: 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:

	As at 30th September 2013 HK\$'000 (unaudited)	As at 31st March 2013 HK\$'000 (audited)
Trade receivables		
Up to 90 days	36,102	22,583
91 to 180 days	1,392	3,137
181 to 365 days	2,093	2,648
Over 365 days	2,152	127
	41,739	28,495
Allowance for doubtful debts	—	—
	41,739	28,495
Other receivables	7,703	3,990
Loans and receivables	49,442	32,485
Deposits and prepayments	41,620	60,843
	91,062	93,328

9. TRADE AND OTHER PAYABLES

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

	As at 30th September 2013 <i>HK\$'000</i> (unaudited)	As at 31st March 2013 <i>HK\$'000</i> (audited)
Trade payables		
Up to 90 days	51,482	43,003
91 to 180 days	1,230	137
181 to 365 days	302	860
Over 365 days	1,018	1,702
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	54,032	45,702
Other payables and accrued charges	49,541	49,933
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	103,573	95,635
Rental received in advance	75	75
Deposits received	4,903	3,496
Other tax payable	120,054	108,670
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	228,605	207,876
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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> (unaudited)
Liabilities component as at 1st April 2013	32,237
Interest expenses	1,684
Redemption	(31,992)
Gain on redemption	(1,929)
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Liabilities component as at 30th September 2013	–
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11. PLEDGE OF ASSETS

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

	As at 30 September 2013 <i>HK\$'000</i> (unaudited)	As at 31st March 2013 <i>HK\$'000</i> (audited)
Land and buildings	779	3,198
Prepaid lease payments	527	20,833
Investment properties	124,200	151,676
Inventories	170,905	136,244
Pledged bank deposits	10,462	2,272
	<u>306,873</u>	<u>314,223</u>

12. COMMITMENTS

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

Operating lease commitments – as lessor

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

	As at 30th September 2013 <i>HK\$'000</i> (unaudited)	As at 31st March 2013 <i>HK\$'000</i> (audited)
Within one year	3,993	4,155
In the second to fifth years inclusive	2,774	4,566
	<u>6,767</u>	<u>8,721</u>

Operating lease commitments – as lessee

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

	As at 30th September 2013 HK\$'000 (unaudited)	As at 31st March 2013 HK\$'000 (audited)
Within one year	189,599	224,922
In the second to fifth years inclusive	585,440	609,988
More than five years	143,602	203,149
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	918,641	1,038,059
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13. CONTINGENT LIABILITIES

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

14. SEASONALITY OF OPERATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Review

For the six months ended 30th September 2013, the Group's consolidated turnover amounted to HK\$492 million, representing a decrease of 15% (2012: increase of 11%) from HK\$577.5 million in the same period of last year due to the decrease in the number of stores in Mainland China which was slightly offset by the increase in turnover in Hong Kong. The average same store sales for the reporting period in the Mainland China and Hong Kong decreased by 10% and 14% respectively over the corresponding period in last year. Gross profit margin dropped 5% to 24% due to intense market competition.

Distribution costs decreased by 9% to HK\$190.7 million was mainly due to the decrease in rental expenses, staff related costs and entertainment expenses. Administrative expenses amounted to HK\$19.7 million which was comparable to last year. Other expenses decreased by HK\$3.7 million in this period was due to the decrease in unrealised loss on trade securities valued at fair value. Finance costs decreased by HK\$3.2 million in this period was due to the decrease in bank loans as compared with last year.

Liquidity and financial resources

As at 30th September 2013, the Group's total cash balance amounted to HK\$76.7 million (31st March 2013: HK\$119 million). The decrease was mainly due to reduction in bank loan balances and redemption of convertible notes. Gearing rate of the Group, expressed as a ratio of total borrowing over total equity, was 52% as at 30th September 2013 (31st March 2013: 50%).

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 anticipates its loss will be substantially scaled down once majority of its money losing shops are closed in the first quarter of 2014. This will enable us to return to better financial position.

The Rolex and Tudor flagship boutique opened on Canton Road on 23rd June 2013 has been well received by the market.

The Group has not lost sight of future growth opportunities and will open an IWC boutique in Chengdu IFC early next year.

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

On behalf of the Group, we sincerely thank for the kind patience of our shareholders and continuous supports 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 period ended 30th September 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; (iii) any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office until the next following general meeting, instead of the next annual general meeting.

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

The Chairman is Mr. Eav Yin while the function of the chief executive officer is divided between the remaining executive directors.

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

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

Code provision D.1.4 stipulates that directors should clearly understand delegation arrangements in place. 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

Interim Dividend

The directors resolved not to declare an interim dividend in respect of the six months ended 30th September 2013 (2012:Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company’s listed securities during the six months ended 30th September 2013.

Employees and Remuneration Policy

There were 348 employees in the Group as at 30th September 2013. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses and share awards are offered to motivate employees.

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

Hong Kong, 25th November 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*