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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 ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2014

FINANCIAL HIGHLIGHTS

	2014 *HK$ million*	2013 *HK$ million*	**Change** *%*
Operations			
Turnover	**967**	1,099	(12)
Loss attributable to owners of the Company	**(153)**	(209)	N/A
Loss per share – Basic	**(11.21 HK cents)**	(20.76 HK cents)	N/A
Interim dividend declared and paid	**–**	–	
Final dividend proposed after the end of the reporting period	**–**	–	

	2014 *HK$ million*	2013 *HK$ million*	**Change** *%*
Financial position			
Total assets	**840**	1,053	(20)
Equity attributable to owners of the Company	**396**	537	(26)
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 2014 together with the comparative figures for 2013. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31st March 2014 but represents an extract from those financial statements. The financial information has been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31st March

	Note	**2014** *HK$'000*	2013 *HK$'000*
Turnover	3	**967,353**	1,098,593
Cost of sales		**(754,386)**	(828,534)
Gross profit		**212,967**	270,059
Valuation gains on investment properties		**13,791**	7,792
Other revenue	3	**30,579**	26,300
Distribution costs		**(353,014)**	(410,967)
Administrative expenses		**(33,788)**	(46,673)
Other net loss		**(11,055)**	(34,957)
Finance costs	5(a)	**(12,470)**	(19,905)
Loss before taxation	5	**(152,990)**	(208,351)
Income tax	6	**(196)**	(393)
Loss for the year		**(153,186)**	(208,744)
Attributable to:			
Owners of the Company		**(153,278)**	(208,746)
Non-controlling interests		**92**	2
		(153,186)	(208,744)
Loss per share	8		
Basic *(HK cents)*		**(11.21)**	(20.76)
Diluted *(HK cents)*		**(11.21)**	(20.76)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(153,186)**	(208,744)
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**8,405**	(3,838)
Change in fair value reserve on revaluation of available-for-sale investments	**277**	244
Item that will not be reclassified subsequently to profit or loss:		
Surplus on valuation of land and buildings	**–**	1,387
Total other comprehensive income/(loss) for the year (net of nil tax)	**8,682**	(2,207)
Total comprehensive loss for the year	**(144,504)**	(210,951)
Attributable to:		
Owners of the Company	**(144,596)**	(210,953)
Non-controlling interests	**92**	2
	(144,504)	(210,951)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**19,225**	42,230
Prepaid lease payments		**20,366**	20,874
Investment properties		**185,529**	170,983
Available-for-sale investments		**7,527**	6,300
Rental deposits and prepayments		**29,433**	26,971
		262,080	267,358
Current assets			
Inventories		**469,341**	569,071
Prepaid lease payments		**505**	505
Trade and other receivables	9	**64,368**	93,328
Trading securities		**3,676**	3,845
Pledged bank deposits		**3,303**	2,272
Cash and cash equivalents		**36,879**	116,760
		578,072	785,781
Current liabilities			
Trade and other payables	10	**206,377**	207,876
Bank loans		**135,449**	223,764
Convertible notes		**–**	32,237
Loans from a director		**52,000**	14,000
Provision for store closure		**7,634**	12,224
Current income tax payable		**3,548**	3,137
		405,008	493,238
Net current assets		**173,064**	292,543
Total assets less current liabilities		**435,144**	559,901
Non-current liabilities			
Rental received in advance		**2,042**	2,117
Deferred tax liabilities		**6,736**	7,741
Other liabilities		**19,886**	3,016
		28,664	12,874
Net assets		**406,480**	547,027
Capital and reserves			
Share capital		**273,373**	273,373
Reserves		**123,306**	263,945
Equity attributable to owners of the Company		**396,679**	537,318
Non-controlling interests		**9,801**	9,709
Total equity		**406,480**	547,027

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICY

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 HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

The impact of the application of these standards is set out below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "consolidated statement of profit or loss" and "consolidated statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special Purpose Entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1st April 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adopotion of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. GOING CONCERN

The Group incurred a loss attributable to owners of the Company of HK$153,278,000 (2013: HK$208,746,000) and net cash inflow from operating activities of HK$21,790,000 (2013: outflow of HK$56,094,000) for the year ended 31st March 2014 and had decrease in net current assets of HK$119,479,000 (2013: decrease in net current assets of HK$22,609,000) and net debt of HK$147,267,000 (2013: HK$150,969,000) as stated in note to the consolidated financial statements as at 31st March 2014 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.

On 29th February 2012, the Group was granted a long-term loan of HK$130,000,000 by a bank which is repayable by quarterly installment by February 2016. As of 31st March 2014, the remaining outstanding balances of the bank loan was HK$74,260,000. Pursuant to the loan facility agreement, an event of default would arise if the Group cannot meet the financial covenants as set out in the loan facility agreement. At the end of the reporting period, the Group was unable to comply with certain of these financial covenants. The directors have negotiated with the bank and obtained a waiver for the breach of the financial covenants. In this regard, the directors considered that the Group's inability to comply with such covenants will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these financial statements have been prepared on a going concern basis.

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

- In June 2013, 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. The total amount utilized under the term loan facility agreement as at 31st March 2014 were HK$52,000,000. The Group renewed the term loan facility agreement with Mr. Eav on 25th June 2014 for another year to 30th September 2015;

- the directors of the Company have been taking various cost control measures to tighten the costs of operations; and

- the directors of the Company have reviewed the performance of individual stores and plan to close non-profitable stores if appropriate.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group 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.

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:

	2014	2013
	HK$'000	*HK$'000*
Sales of watches	**962,264**	1,094,047
Gross rental income from investment properties	**5,089**	4,546
	967,353	1,098,593
Bank interest income	**176**	216
Total interest income on financial assets not at fair value through profit or loss	**176**	216
Show window rental income	**857**	3,532
Gross rental income from sub-letting of a shop	**757**	–
Promotion income	**8,541**	4,612
Advertising income	**3,233**	2,032
Customer services income and others	**17,015**	15,908
	30,579	26,300

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 the 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 statement of profit or loss.

All assets are allocated to reportable segments other than available-for-sale investments and other corporate assets.

All liabilities are allocated to reportable segments other than current income tax 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.

			2014		
	Sale of watches	**Properties leasing**	**Segmental total**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	**962,264**	**5,089**	**967,353**	**–**	**967,353**
Turnover *(Note)*	**962,264**	**5,089**	**967,353**	**–**	**967,353**
Operating profit/(loss)	**(142,813)**	**4,204**	**(138,609)**	**(4,823)**	**(143,432)**
Valuation gains on investment properties	**–**	**13,791**	**13,791**	**–**	**13,791**
Interest income	**166**	**–**	**166**	**10**	**176**
Other net loss	**(11,836)**	**–**	**(11,836)**	**781**	**(11,055)**
Finance costs	**(10,786)**	**–**	**(10,786)**	**(1,684)**	**(12,470)**
Segment results	**(165,269)**	**17,995**	**(147,274)**	**(5,716)**	**(152,990)**
Income tax					**(196)**
Loss for the year					**(153,186)**
Provision for store closure	**6,599**	**–**	**6,599**	**–**	**6,599**
Loss on write off of property, plant and equipment	**3,094**	**–**	**3,094**	**–**	**3,094**
Loss on write off of rental deposits and prepayments	**4,861**	**–**	**4,861**	**–**	**4,861**
Write-down of inventories	**18,925**	**–**	**18,925**	**–**	**18,925**
Impairment loss of other receivables	**1,145**	**–**	**1,145**	**–**	**1,145**
Depreciation and amortisation	**28,222**	**164**	**28,386**	**–**	**28,386**
Segment assets	**623,216**	**191,416**	**814,632**	**17,993**	**832,625**
Available-for-sale investments					**7,527**
Total assets					**840,152**
Additions to non-current segment assets during the reporting period	**16,983**	**–**	**16,983**	**–**	**16,983**
Segment liabilities	**412,028**	**8,030**	**420,058**	**3,330**	**423,388**
Current income tax payable					**3,548**
Deferred tax liabilities					**6,736**
Total liabilities					**433,672**

Note: There were no inter-segment sales during the year ended 31st March 2014.

	Sale of watches HK$'000	Properties leasing HK$'000	2013 Segmental total HK$'000	Unallocated HK$'000	Total 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.

Geographic information

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

	Revenues from external customers		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China, excluding Hong Kong	**461,122**	713,516	**65,957**	102,458
Hong Kong (place of domicile)	**502,909**	380,347	**170,266**	140,044
Switzerland	**1,872**	4,717	**18,330**	18,556
Others	**1,450**	13	**–**	–
	967,353	1,098,593	**254,553**	261,058

Information about major customers

For the years ended 31st March 2014 and 2013, 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

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**8,355**	13,353
Interest on convertible notes	**1,684**	3,304
Interest on loans from a director	**2,431**	3,248
Total interest expenses on financial liabilities not at fair value through profit or loss	**12,470**	19,905

(b) Staff costs

	2014 *HK$'000*	2013 *HK$'000*
Salaries, wages and other benefits (including directors' fee and emoluments)	**73,962**	97,014
Share-based payments expenses	**2,952**	8,850
Retirement benefits scheme contribution	**803**	844
	77,717	106,708

(c) Other items

	2014 *HK$'000*	2013 *HK$'000*
Rental receivable from investment properties less direct outgoings of HK$161,000 (2013: HK$86,000)	**(4,928)**	(4,460)
Net exchange (gain)/loss	**(1,444)**	96
Auditors' remuneration		
Audit services	**1,654**	1,621
Other services	**354**	617
Depreciation for property, plant and equipment	**27,873**	32,161
Amortisation for prepaid lease payments	**513**	499
Impairment loss on other receivables	**1,145**	4
Operating lease rentals in respect of rented premises		
– Minimum rentals	**204,449**	209,857
– Contingent rentals	**2,593**	10,167
	207,042	220,024
Cost of inventories recognised as expenses	**754,386**	828,534

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2014	2013
	HK$'000	*HK$'000*
Current tax		
PRC Corporate Income Tax		
– Charge for the year	**530**	2,135
– Tax refund	**(824)**	(1,481)
Under-provision in respect of prior years		
PRC Corporate Income Tax	**490**	48
	196	702
Deferred tax		
Current year	**–**	(309)
	196	393

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 2014 and 2013.

Taxation for PRC subsidiary companies is provided at the appropriate current rate of 25% (2013: 25%).

7. DIVIDENDS

The directors do not propose any payment of final dividend for the years ended 31st March 2014 and 2013.

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$153,278,000 (2013: HK$208,746,000) and the weighted average number of 1,366,866,000 ordinary shares (2013: 1,005,677,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share is equal to the basic loss per share for the years ended 31st March 2014 and 2013 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 2014 and 2013.

9. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**23,437**	28,495
Allowance for doubtful debts	**–**	–
	23,437	28,495
Other receivables	**6,496**	3,990
Loans and receivables	**29,933**	32,485
Deposits and prepayments	**34,435**	60,843
	64,368	93,328

The Group allows credit period of ranging from cash on delivery to 90 days to its customers. The aging analysis of trade receivables of HK$23,437,000 (2013: HK$28,495,000) at the end of the reporting period based on invoice date is as follows:

	2014	2013
	HK$'000	*HK$'000*
Trade receivables		
Up to 90 days	**17,853**	22,583
91 to 180 days	**1,361**	3,137
181 to 365 days	**3,181**	2,648
Over 365 days	**1,042**	127
	23,437	28,495

The carrying amounts of the Group's trade and other receivables at 31st March 2014 and 2013 approximate their fair values.

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

10. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**37,841**	45,702
Other payables and accrued charges	**49,160**	49,933
Financial liabilities measured at amortised cost	**87,001**	95,635
Rental received in advance	**75**	75
Deposits received	**5,245**	3,496
Other tax payable	**114,056**	108,670
	206,377	207,876

The carrying amounts of the Group's trade and other payables at 31st March 2014 and 2013 approximate 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.

The carrying amounts of the trade payables of the Group are mainly denominated in Renminbi and Hong Kong dollars.

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

	2014	2013
	HK$'000	*HK$'000*
Trade payables		
Up to 90 days	**29,535**	43,003
91 to 180 days	**2,328**	137
181 to 365 days	**1,697**	860
Over 365 days	**4,281**	1,702
	37,841	45,702

11. PLEDGE OF ASSETS

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

	2014	2013
	HK$'000	*HK$'000*
Land and buildings	**733**	3,198
Prepaid lease payments	**524**	20,833
Investment properties	**137,900**	151,676
Inventories	**147,190**	136,244
Pledged bank deposits	**3,303**	2,272
	289,650	314,223

12. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31st March 2014 and 2013.

SUBSEQUENT EVENT REVIEW

In April 2014, 冠亞名表城(上海)貿易有限公司, 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 RMB16 million (equivalents to approximately HK$20 million) for a period of six months. The bank loan is unsecured and has been used for purchase of inventories. 冠亞名表城(上海)貿易有限公司 repaid the outstanding bank loans of RMB20 million, RMB0.5 million and RMB0.5 million on 11th April 2014, 16th June 2014 and 17th June 2014 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the year was HK$967 million which was 12% lower than HK$1,099 million of last year. Gross profit margin declined from 25% to 22% due to intense market competition. Sales from mainland China were decreased by 35% to HK$461 million while average same store sales in China were decreased by 16%. On the other hand, sales in Hong Kong were increased by 32% to HK$503 million since the new shop opened on Canton Road generated more turnover as compared with the one which was closed during the year.

The Group had adopted a prudent approach to close down 15 stores (mainly non-profitable ones) but opened 3 stores in Beijing, Chengdu and Hong Kong respectively including our Rolex and Tudor flagship store on Canton Road which has been well received by the market.

The total number of stores is as below:

	As at 31st March 2014	As at 31st March 2013
Beijing	**7**	9
Shanghai	**4**	8
Shenyang	**2**	5
Chengdu	**2**	4
Hong Kong	**3**	4
	18	30

Financial Review

Results review

The Group recorded a turnover of HK$967 million for the year ended 31st March 2014, (2013: HK$1,099 million) which was 12% lower than last year. Sales from the mainland China decreased by 35% to HK$461 million as compared with HK$714 million of last year was due to the slow down of the market and closure of non-profitable stores during the year. Sales in Hong Kong increased by 32% to HK$503 million as compared with HK$380 million of last year due to the fact that the new Rolex and Tudor flagship store on Canton Road brought more turnover as compared with the one which was closed during the year.

Distribution costs decreased by 14% to HK$353 million as compared with HK$411 million of last year was mainly due to the decrease in advertising, business promotion expenses, rental and staff cost due to the closure of shops and tightening control in expenses. Administrative expenses decreased by 28% to HK$34 million as compared with HK$47 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 increased by 77% to HK$14 million as compared with HK$8 million of last year as a result of the increase in the valuation of the properties located in Hong Kong.

Other net loss amounting to HK$11 million this year was mainly consisted of the onerous contract provision for some loss making stores of HK$7 million and write off of assets due to closure of stores of HK$3 million.

Finance costs decreased by 37% to HK$12 million as compared with HK$20 million of last year was due to the decrease in bank loans during the year.

Liquidity, financial resources and capital structure

As at 31st March 2014, the Group's total cash balance amounted to HK$40 million (2013: HK$119 million). The decrease was mainly due to the repayment of bank loans and convertible notes during the year. The Group has secured banking facilities amounting to HK$74 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 46% as at 31st March 2014 (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 highly visible PRC government campaign encouraging frugality and focusing on corruption had a large impact on gifting, which had been one of the major growth engines of the luxury watches sector. This campaign especially constrained the growth of luxury watches making up over one fifth of the total domestic luxury market in China according to the Bain study will persist for a substantial period.

The Group has basically closed down all its non-core shops in China and cut corporate overhead. Baring unforeseen circumstances, the financial performance of China retailing unit will further improve.

From 30th May 2014 to 12th June 2014, the Group had made its debut of "FROM DAYTONA TO THE COSMOGRAPH DAYTONA. A PASSION FOR SPEED" exhibition in Hong Kong in its Rolex boutique on Canton Road.

The Group will close down its nonperforming shop in Causeway Bay, Hong Kong when its lease expires in October this year.

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 and positive supportive of our shareholders, customers, suppliers and associates.

CORPORATE GOVERNANCE

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

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31st March 2014 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 2014. (2013: nil).

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of Company's listed securities on the Stock Exchange during the year.

Employees and Remuneration Policy

There were 310 employees in the Group as at 31st March 2014. 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 2014 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, 26th June 2014

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*