



## CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors (the "Board") of Asia Commercial Holdings Limited (the "Company"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st March, 2001.

### RESULTS

The audited consolidated turnover of the Group amounted to approximately HK\$146 million (2000: HK\$146 million) for the year under review, representing largely the same level when compared with the previous year as a whole.

The Group's profit attributable to shareholders for the year ended 31st March, 2001 was approximately HK\$6.7 million compared to net loss of HK\$6.3 million for the year ended 31st March, 2000. Earnings per share was HK\$0.02 compared to loss per share of HK\$0.02 for the previous year.

### DIVIDEND

The Board has resolved not to recommend to shareholders at the forthcoming annual general meeting the payment of final dividend for the year (2000: nil). No interim dividend was paid during the year (2000: nil).

### BUSINESS REVIEW

#### *Watch Trading and Retailing*

Total turnover from the sales of complete watches (excluding the Swiss Office) of the Group for the year ended 31st March, 2001 was HK\$135 million, representing an increase of HK\$19 million for the year ended 31st March, 2000. The reasons for the increases are stated below under the paragraph heading "Watch Trading and Retailing" of the Management Operation Review and Analysis.

The aforesaid reasons also attribute the overall profit margin achieved up to the satisfactory level during the year under review.

The Group has launched a web-site which belong to our retail network in PRC. We hope that the Group's information will be more accessible to our customers and suppliers by current advanced technology.

#### *Trading of Watch Components*

Due to the commercial reasons stated in our interim report 2000 still prevails during the year under review, the Group has not engaged in the operation of trading in watch components, which accounted for approximately HK\$21 million for the previous year.

#### *Properties Investment*

Gross rental income generated from investment properties increased by 56% to HK\$3.3 million for the year ended 31st March, 2001. The increase is in line with the Board's policy to lease out any unoccupied area so as to maximize the return to the Company.



### *Securities Investments*

Apart from the disposal of securities investment amounting to approximately HK\$1.3 million during the year under review, the component of the Group's securities investment portfolio at the balance sheet date is the same as that of previous year. As at 31st March, 2001, the total market value of the Group's securities investment portfolio other than those, which is intended to be held on a continuing basis, is approximately HK\$29 million (2000: HK\$32 million).

### *Swiss Operation*

The Board continues to keep the reduced scale of its Swiss operation during the year under review. The operating loss for the year ended 31st March, 2001 amounted to approximately HK\$1.3 million (2000: HK\$1.4 million).

During the year, the Group continues its financial support to the Swiss watch brands. JUVENIA S.A. is free of any bank debts and the Board is of the view that JUVENIA S.A. will not be a financial burden to the Group. It is one of the Group's intentions to sell the Swiss building upon the boom of Swiss property market.

### *Acquisition of Offshore Programming Service Provider (the "Acquisition")*

On 11th April, 2001, the Company has conditionally entered into an agreement to acquire 54% interests in KBQuest Holdings Limited ("KBQ") for an aggregate consideration of HK\$42 million. The principal activity of KBQ is the provision of contract programming services to customers in the information technology industry. The consideration was satisfied by the allotment and issue of 42 million shares at a price of HK\$1.00 per share to the vendor. The Board is pleased to announce that the Agreement was completed on 16th May, 2001. The details of the Acquisition are set out in the Company's Circular dated 24th May, 2001.

## PROSPECTS

The apprehension about the scale of US economy's slowdown and a possible synchronized global economic downturn may have an adverse effect on many businesses and enterprises in the coming year. As stated in the 2000 annual report, pursuant to the Group's medium term strategy, which set out the Group's focus on the PRC market where our strength and expertise lie. The Board is of the view that following the entry of the PRC into the World Trade Organization (the "WTO"), the deepening of the economy globalization would still provide new momentum to the PRC, which bring the Company, fruitful business development opportunities and challenges.



### *Watch Trading and Retailing*

Subsequent to the balance sheet date, the Board has opened new outlets in Pudong of Shanghai and in Southern China. Currently, the retailing network covers major cities including Harbin, Shenyang, Beijing, Shanghai, Chengdu and Chongqing. The Group continues to seize any prime locations available including the watch corner shops by means of co-operation with the reputable foreign departmental stores. It is the Group's policy to establish and extend a proven result retail network over China including western region of China in line with the pace of local economic reform and growth.

Looking into the joint co-operation schemes with our various brands in the coming financial year, the Group plans to get the joint efforts with the Brands for various promotion campaigns such as road show and co-advertisements so as to solid the long-term business relationship.

Looking into the repair and maintenance business, the Group targets to maintain the high quality repair and maintenance services up to the international standard by means of including attending the overseas such as Swiss training campaigns that offered by the various Brands.

Furthermore, the Board is actively studying the feasibility of diversifying the high end watches sold through our proven result retail network in the PRC to other new Swiss brands watches that target to the middle class segment and other premium gifts items such as pens, lighters and leather products so as to maximize the return to the Company and its stakeholders.

The Group, with sound financial position and enhanced internal controls, considers accelerating the pace of business expansion in the PRC. It is to ensure that the Company is well position to realize the full potential of the Group's strength and expertise on such market opportunity and to take advantage of the tremendous growth opportunities developing in retail market.

### *Offshore Programming Service Provider*

As details set out in the Company Circular dated 24th May, 2001, the Acquisition represents a diversification from the existing core business of the Group and entering into the market of specialized software programs. The Board is of the view that such market has very good growth potential. As KBQ is a business set up recently, the Board does not expect the contribution of KBQ to the Group's result will be recognized in the immediate financial year but has confidence in the longer-term perspective. The Acquisition is fully financed by the issue of the shares. Accordingly, it does not draw on the Group's existing financial resources for the settlement of the consideration. The Board is of the view that the commencement and its development of the KBQ will not affect the development pace of the Group's existing core business i.e. watch trading and retailing.



### *Swiss Operation*

The Board is of the view that there is great potential to develop the full value of our Swiss prestigious brand JUVENIA—remarkable Swiss watch since 1860. The Group plans to enhance the customers' recognition by meeting the sales targets by means of building up teams of agents to explore the markets in Taiwan, Middle East, Europe, USA & Japan.

Consistent with the Board's publicly policies, the Group, is dedicated to reallocating its resources towards those existing core businesses with higher growth potential with a view to boosting its earnings growth in the long term. And the Group will keep on looking for good investment opportunities to strengthen the Group's profit in the context of recurring income, income base and magnitude of income. Nevertheless, the Group continues to adopt a cautious and conservative approach in its business expansion.

### **EXPRESSION OF GRATITUDE**

The Board would like to take this opportunity to express its profound gratitude to all staff members, shareholders, bankers, customers, suppliers and professional bodies for the sincere support they have rendered the Group to date.

By Order of the Board

**Leung Chung Ping**

*Director & Chief Executive Officer*

Hong Kong SAR, 20th July, 2001