ASIA COMMERCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

INTERIM RESULTS

The Board of Directors (the "Board") of Asia Commercial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2005 with the comparative figures are set out as follows:

Condensed Consolidated Income Statement

		Six months ended 30th September,	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	*(unaudited and restated)*
TURNOVER	*5*	**145,742**	122,714
COST OF SALES		**(89,931)**	(73,324)
GROSS PROFIT		**55,811**	49,390
OTHER REVENUE	*5*	**4,621**	3,860
DISTRIBUTION COSTS		**(48,542)**	(41,687)
ADMINISTRATIVE EXPENSES		**(4,879)**	(6,690)
OTHER OPERATING EXPENSES, NET	*6*	**(6,391)**	(5,543)
FINANCE COSTS	*7*	**(675)**	(675)
OTHER EXPENSES	*8*	**(80)**	(9,998)
SHARE OF RESULTS OF AN ASSOCIATE		**(21)**	(69)
LOSS BEFORE TAXATION	*9*	**(156)**	(11,412)
TAXATION	*10*	**(517)**	(166)
NET LOSS FOR THE PERIOD		**(673)**	(11,578)
ATTRIBUTABLE TO			
– EQUITY HOLDERS OF THE PARENT		**(556)**	(11,272)
– MINORITY INTERESTS		**(117)**	(306)
		(673)	(11,578)
DIVIDEND	*11*	**–**	–
LOSS PER SHARE	*12*	**(0.17 cent)**	(3.38 cents)

Condensed Consolidated Balance Sheet

	Notes	30th September, 2005 HK$'000 (unaudited)	31st March, 2005 HK$'000 (audited and restated)
Non-current Assets			
Intangible assets		**3,261**	3,261
Investment properties		**19,222**	20,146
Property, plant and equipment		**21,186**	23,146
Interest in an associate		**1,191**	1,190
Other Intangible assets		**984**	984
		45,844	48,727
Current Assets			
Properties held for resale		**6,230**	6,230
Inventories – goods for resale		**108,647**	100,349
Trade and other receivables, deposits and prepayments	*13*	**34,012**	28,060
Short-term bank deposits		**80,304**	95,214
Bank balances and cash		**30,728**	25,251
		259,921	255,104
Current Liabilities			
Trade and other payables and accrued charges	*14*	**65,784**	60,225
Taxation payable		**380**	260
		66,164	60,485
Net Current Assets		**193,757**	194,619
Total Assets Less Current Liabilities		**239,601**	243,346
CAPITAL AND RESERVES			
Share capital		**333,719**	333,719
Reserves		**(168,732)**	(164,590)
Equity attributable to			
Equity holders of the parent		**164,987**	169,129
Minority interests		**427**	531
Total Equity		**165,414**	169,660
Non-current Liabilities			
Rental received in advance		**2,822**	2,996
Convertible notes		**71,365**	70,690
		74,187	73,686
		239,601	243,346

Segment Information

a) Business Segment

The Group reports its primary segment information on its principal business segments and details for the six months ended 30th September, 2005 together with comparative figures for the previous period are as follows:

	Six months ended 30th September, 2005					
	Sales of watches *HK$'000 (unaudited)*	**Property-related business** *HK$'000 (unaudited)*	**Programming service** *HK$'000 (unaudited)*	**Corporate** *HK$'000 (unaudited)*	**Elimination** *HK$'000 (unaudited)*	**Consolidated** *HK$'000 (unaudited)*
Segment Revenue						
– External sales	144,085	609	1,048	–	–	145,742
– Inter-segment sales	–	–	788	–	(788)	–
	144,085	609	1,836	–	(788)	145,742
Segment Results	5,383	(440)	(1,031)	(3,292)	–	620
Finance costs						(675)
Other expenses	(75)	–	(5)	–	–	(80)
Share of results of an associate	–	–	(21)	–	–	(21)
Loss before taxation						(156)
Taxation						(517)
Net loss for the period						(673)

	Six months ended 30th September, 2004					
	Sales of watches	Property-related business	Programming service	Corporate	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Segment Revenue						
– External sales	119,692	2,129	893	–	–	122,714
– Inter-segment sales	–	1	566	–	(567)	–
	119,692	2,130	1,459	–	(567)	122,714
Segment Results	5,698	(1,375)	(2,106)	(2,887)	–	(670)
Finance costs						(675)
Other expenses	(2)	(9,766)	(15)	(215)	–	(9,998)
Share of results of an associate	–	–	(69)	–	–	(69)
Loss before taxation						(11,412)
Taxation						(166)
Net loss for the period						(11,578)

b) *Geographical Segment*

An analysis of the Group's turnover and contribution to operating loss by geographical segments for the period under review and comparative information for the previous period is as follows:

	Six months ended 30th September			
	2005		2004	
	Segment revenue	**Contribution to operating loss**	Segment revenue	Contribution to operating loss
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(unaudited)	***(unaudited)***	*(unaudited)*	*(unaudited)*
The People's Republic of China ("PRC"), excluding Hong Kong	**141,757**	**7,394**	119,828	4,246
Hong Kong	**1,902**	**(6,321)**	795	(3,695)
Others	**2,083**	**(453)**	2,091	(1,221)
	145,742		122,714	
Finance cost		**(675)**		(675)
Other expenses		**(80)**		(9,998)
Share of results of an associate		**(21)**		(69)
Loss before taxation		**(156)**		(11,412)
Taxation		**(517)**		(166)
Net loss for the period		**(673)**		(11,578)

NOTES TO THIS ANNOUNCEMENT

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for certain properties which are measured at fair value or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas.

(i) Share-based payment

HKFRS 2 "Share-based Payment" requires an expense to be recognized where an entity buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Group determined at the date of grant of the share options over the vesting period. In accordance with the transitional provisions of HKFRS 2, share options granted after 7th November, 2002 and were unvested on 1st April, 2005 were expensed retrospectively in the income statement of the respective periods. As at 1st April, 2005, the Group had no option granted after 7th November, 2002 that had not yet vested on that day. Hence, there is no impact on the Group.

(ii) Business combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life.

The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognized in reserves of HK$95.4 million has been transferred to the Group's accumulated loss on 1st April, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures are not required to be restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognized immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves and negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance was resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognized all negative goodwill on 1st April, 2005 with a corresponding increase to accumulated loss as at 1st April, 2005.

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. As no acquisitions took place in the current period, this change in accounting policy has had no material effect on the goodwill calculation. In addition, because the revised accounting policy has been applied prospectively to acquisitions for which the agreement date is on or after 1st January, 2005, comparative figures have not been restated.

(iii) Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost or valuation less depreciation and amortisation at the balance sheet date and any accumulated impairment losses. Under HKAS 17 "Leases", the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to lease premium for land under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Since the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be included in the cost of the land and building and accounted for as property, plant and equipment. Hence, there is no impact on the Group.

(iv) Investment properties

In previous periods, the Group's investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April, 2005 onwards. The amount held in investment property revaluation reserve at 1st April, 2005 has been transferred to the Group's accumulated loss as at that date and the financial impact on the Group is set out in note 4.

(v) Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Company. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally not permit to recognize, derecognise or measure financial assets and liabilities on a retrospective basis. The principle effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

Convertible Notes

HKSA 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into the liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Given the convertible notes of the Company contain only liability components and was previously classified as liabilities on the balance sheet. Comparative figures need not be restated. As there is no active market and same instrument (i.e. without modification or repackaging) exist for fair value measurement, the existing terms and its valuation method of the convertible notes is taken as the nearest market reference between knowledgeable, willing parties in an arm's length transaction. Hence, there is no impact on the Group upon the adoption of HKAS 39.

Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the new HKFRSs that have been issued but are not yet effective. The Directors anticipate that the applications of these new HKFRSs will have no material impact on the financial statements of the Group.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Property, plant and equipment, leasehold land and depreciation

The Group assesses annually whether property, plant and equipment, leasehold land and investment properties have any indication of impairment. The recoverable amounts of property, plant and equipment, leasehold land and investment properties have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates.

(ii) Write-downs of inventories

Inventories are written down to net realizable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

With effect from 1st April, 2005, the depreciation rate for the inventory obsolescence is revised from 30% per annum to the range between 10% and 36% per annum based on the management experience aiming to reflecting the latest commercial business substance. The financial effect of the change is an increase of allowances for slow-moving inventories amounted to approximately HK$1,559,000 charged to the interim financial statements during the six months ended 30th September, 2005.

(iii) Impairment test of goodwill

The Group determines whether goodwill is impaired on annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use required the Group to make an estimate of the expected future cash flow from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present values of those cash flow.

4. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above are as follows:

(i) The adoption of HKAS 40 resulted in a decrease in accumulated loss at 1st April, 2005 by HK$4,632,000;

(ii) The adoption of HKFRS 3 resulted in an increase in intangible asset as at 30th September, 2005 by HK$230,000 and decrease in administrative expense for the period ended 30th September, 2005 by the same amount; and

(iii) The adoption of HKFRS 3 resulted in an increase in accumulated loss at 1st April, 2005 by HK$95.4 million.

There was no impact on the balance sheet and income statement upon the adoption of HKFRS 2, HKAS 17, HKAS 32 and HKAS 39.

5. TURNOVER AND OTHER REVENUE

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Turnover		
Sales of watches	**144,085**	119,692
Rental income		
Investment properties	**609**	1,785
Land and building	**–**	46
Others	**–**	298
	609	2,129
Programming service	**1,048**	893
	145,742	122,714
Other revenue		
Interest income	**1,236**	222
Customer services income and others	**3,385**	3,638
	4,621	3,860
	150,363	126,574

6. OTHER OPERATING EXPENSES, NET

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Allowances for bad and doubtful debts	**(19)**	(789)
Allowances for slow-moving inventories	**(6,372)**	(4,822)
Written back of trade and other payables	**–**	68
	(6,391)	(5,543)

7. FINANCE COSTS

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Convertible notes:		
Interest payable	**189**	189
Amortization of premium on redemption	**486**	486
Total borrowing costs	**675**	675

8. OTHER EXPENSES

	Six months ended 30th September, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Write off of fixed assets	**80**	2
Amortization of goodwill	**–**	230
Management fee	**–**	6,013
Impairment loss on leasehold property	**–**	747
Deficit arising from valuation of an investment property	**–**	3,006
	80	9,998

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after crediting and charging the following:

	Six months ended 30th September, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Crediting:		
Profit on disposal of fixed asset	**–**	79
Net exchange gain (included in administrative expenses)	**1,164**	–
Charging:		
Depreciation	**3,579**	2,234
Allowance for impairment loss on leasehold property	**–**	747
Deficit arising from valuation of an investment property	**–**	3,006
Management fee	**–**	6,013
Net exchange loss (included in administrative expenses)	**–**	125

10. TAXATION

	Six months ended 30th September, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
The charge comprises:		
Taxation in other jurisdictions of the Company and its subsidiaries	**517**	166

Hong Kong Profits Tax is calculated at a rate of 17.5% of the estimated assessable profit for the period. No Hong Kong Profits Tax is provided because the assessable profits generated during the period is set off by the taxable losses carried forward.

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

Deferred tax assets have not been recognized in respect of these losses due to the unpredictability of future profit streams.

11. DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30th September, 2005 (2004: nil).

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the parent for the six months ended 30th September, 2005 and 2004 is based on the following data:

	Six months ended 30th September, 2005 (unaudited)	2004 (unaudited)
Loss for the period attributable to equity holders of the parent and loss for the purpose of basic loss per share	**HK$556,000**	HK$11,272,000
Weighted average number of ordinary share	**333,719,516**	333,719,516

No disclosure of the diluted loss per share for the period under review and the corresponding previous period is shown as the issue of potential ordinary shares during both periods from the exercise of the outstanding share options will be anti-dilutive.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows credit period of ranging from cash on delivery to 90 days to its trade debtors. The aged analysis of trade receivables of HK$19,442,000 (as at 31st March, 2005: HK$16,287,000) which are included in the Group's trade and other receivables, deposits and prepayments at the reporting date is as follows:

	30th September, 2005 HK$'000 (unaudited)	31st March, 2005 HK$'000 (audited)
Trade receivables		
Current to 90 days	**18,020**	14,918
91 days to 180 days	**69**	71
Over 180 days	**1,353**	1,298
	19,442	16,287
Other receivables, deposits and prepayments	**14,570**	11,773
	34,012	28,060

The Company did not have any trade receivables at both reporting dates.

14. **TRADE AND OTHER PAYABLES AND ACCRUED CHARGES**

Included in the trade and other payables and accrued charges are trade payables of HK$19,224,000 (as at 31st March, 2005: HK$15,218,000), the aged analysis of which at the reporting date is as follows:

	30th September, 2005	31st March, 2005
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Trade payables		
Current to 90 days	**18,441**	14,617
91 days to 180 days	**6**	66
Over 180 days	**777**	535
	19,224	15,218
Other payables and accrued charges	**46,560**	45,007
	65,784	60,225

The Company did not have any trade payables at both reporting dates.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30th September, 2005 (2004: HK$nil).

FINANCIAL REVIEW

Turnover

For the six months ended 30th September, 2005, the turnover of the Group increased from approximately HK$122.7 million to approximately HK$145.7 million, an increase of approximately HK$23 million when compared with the corresponding period last year. The increase was mainly attributed to the increased turnover recorded in the Watch Trading and Retailing business segment amounting to approximately HK$24.4 million which was set off partially by the decreased turnover from Property-related business segment amounted to HK$1.5 million during the current period.

Loss for the period

The Group reported a loss approximately of HK$0.6 million (2004: a loss of approximately HK$11.5 million) and loss per share of 0.17 Hong Kong cent (2004: loss per share of 3.38 Hong Kong cents) during the period under review.

Distribution Cost

The Distribution Cost of the Group for the six months ended 30th September, 2005 increased by approximately HK$6.8 million to HK$48.5 million due to increase in salaries and commission and rental expenses incurred during the current period.

The increase was mainly attributable, among other things, to the escalated operating costs under the great inflationary pressure in China, in particular, salaries and commissions needed to be increased in order to retain experienced sales and marketing teams as well as the surge of the rental expenses of the retail shops. In addition, during the period under review, the Group continued to put resources in the advertising and promotional activities so as to gain a solid brand image under the intensified keen competition.

Administrative Expenses

Administrative Expenses of the Group for the six months ended 30th September, 2005 decreased by HK$1.8 million from approximately HK$6.7 million in the corresponding period last year to HK$4.9 million this period due to the exchange gain recorded and the decrease in general operating expenses as a consequence of the Directors implementing tight expenses control during the period.

Other Expenses

Other Expenses of the Group for the six months ended 30th September, 2005 recorded a small amount of HK$80,000 compared to approximately HK$10 million for the corresponding period last year. The Other Expenses in the corresponding period last year mainly comprised of an accrued management fee and a deficit arising from valuation in relation to an investment property in Dongguan (the "Deficit of Dongguan Property"). Such interests in the investment property has been disposed in January, 2005 and the details of the disposal have been disclosed in the annual report for the year ended 31st March, 2005 and the Company's Circular dated 7th February, 2005. The Deficit of Dongguan Property was non-recurring nature and therefore no accrual and deficit is recorded in this period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a solid financial structure and basically finances its operation from internal financial resources throughout the period. As at 30th September, 2005, the Group maintained a net current asset position of approximately HK$193.8 million (as at 31st March, 2005: approximately HK$194.6 million) which includes short-term bank deposits, bank balances and cash of approximately HK$111 million (as at 31st March, 2005: approximately HK$120.5 million). The liquidity of the Group, as evidenced by the current ratio (current assets/current liabilities) was approximately 3.9 times (as at 31st March, 2005: approximately 4.2 times), was maintained at a healthy level.

CAPITAL STRUCTURE

Except for the convertible notes issued on 22nd February, 1994 (the "Notes"), the Group is free from any bank borrowings.

CONVERTIBLE NOTE

As at 30th September, 2005, the Convertible Notes that issued by the Company are still outstanding is amounted to Swiss Francs 11,800,000.

The main terms of the Notes under the original note agreement as amended by the note moratorium on 19th February, 1997 are as follows:

- The maturity date of the Notes was extended for a period of 10 years after their contractual maturity from 23rd February, 2000 to 23rd February, 2010;
- Interest on the Notes would be waived for a period of five years with effect from 23rd February, 1996 to and including 22nd February, 2001; and
- The rate at which interest is charged on the Notes would be reduced from 1 3/4% per annum to 7/8% per annum for a period of nine years with effect from 23rd February, 2001.

Under the original note agreement, there was also an option granted to the holders of the Notes to cause the Company to redeem in US$ at a fixed exchange rate of SFr.1.00 = US$0.67933 any note on 23rd February, 1998 at a redemption price of 117 3/8% of its principal amount together with interest accrued up to the date of redemption. The date of put option was extended for a period of 10 years after their contractual maturity from 23rd February, 1998 to 23rd February, 2008. The estimated aggregate amount of cash for the redemption of all the Notes is approximately HK$73 million. The Board takes the view that the note holders are very likely to exercise the put option and redeem all the Notes on 23rd February, 2008.

RISK OF FOREIGN EXCHANGE FLUCTUATION

The People's Bank of China announced on 21st July, 2005 that the exchange rate of US dollar against the Renminbi be adjusted to 8.11, translating to a 2% appreciation in Renminbi. Income derived by the Group is mainly denominated in Renminbi whilst most of the purchases and expenditures are denominated in Renminbi except for certain purchases and expenditures which are settled in Hong Kong Dollars and Swiss Francs. The positive impact from Renminbi appreciation was alleviated by the foreign exchange loss resulted from revaluation of the Group's foreign currency balance, which comprised of mainly US dollars and Swiss Francs. All in all, the Group recorded a net exchange gains of approximately HK$1.2 million for the period ended 30th September, 2005.

The Group's assets are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. The Renminbi assets are hedged against Renminbi liabilities in the ordinary course of operating cycle. Since the Hong Kong Dollars is pegged to the United States Dollars, the Group considers that the adverse foreign exchange risk is not significant up to the date of this announcement.

The Board would continue to observe closely the Mainland China's economic reform and development and its fiscal policy regarding revaluation of Renminbi as well as Hong Kong's fiscal policies and implement effective programs to minimize any foreign exchange exposure, if necessary.

CONTINGENT LIABILITIES

At 30th September, 2005, the Company had contingent liabilities as follows:

(1) The Company has given corporate guarantees of HK$11,000,000 (as at 31st March, 2005: HK$11,000,000) to banks to secure general banking facilities granted to the Group. As at 30th September, 2005, bank guarantees given in lieu of utility deposit amounting to approximately HK$404,000 (as at 31st March, 2005: HK$404,000). Except the aforesaid banking guarantees utilized during the period under review, the unutilized general banking facilities are acted as standby nature for potential business development of the Group's subsidiaries.

(2) The Company is a nominal defendant of a derivative action brought by Galmare Investment Limited ("Galmare") with 2 Executive Directors on 27th April, 2001, suing on behalf of itself and all other shareholders, other than the Executive Directors. Galmare is seeking a declaration that the acquisition of the information technology business in May 2001 is not in the best interests of the Company or the Shareholders and other appropriate declarations or further ancillary reliefs. As the Company is only a nominal defendant to a derivative action, the role of the Company is limited i.e. not to take any active role in the proceedings and any damages recovered in such Action are paid to the Company directly. Pursuant to the Court Order made on 4th January, 2002 that the Company is granted a leave to dispense with the filing and service of a defence in relation to the Action. Further to the subsequent Court Orders made on 3rd and 4th September, 2003, the Company successfully denied the Plaintiff's application regarding claiming the Company to indemnify their legal costs incurred in this Action. Accordingly, the Board does not anticipate any significant adverse financial effect to the Company up to the date of this announcement.

    The Board shall inform the shareholders by press announcement, should there be any significant progress or major development in the litigation, which affects the interests of the shareholders in due course.

Save as disclosed herein, 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.

PLEDGE OF ASSETS

As at 30th September, 2005, certain of the Group's investment properties and leasehold properties with carrying value of HK$7,700,000 (as at 31st March, 2005: HK$7,700,000) and HK$6,864,000 (as at 31st March, 2005: HK$7,031,000) respectively were pledged to secure the general banking facilities to the extent of HK$11 million.

As at 30th September, 2005 and 31st March, 2005, the Company has not pledged any assets.

OPERATIONAL REVIEW

Watch Trading and Retailing

During the period under review, the aggregated turnover for the watch trading and retailing business segment excluding the Swiss office amounted to approximately HK$142.9 million, representing an increase of 20.5% compared with approximately HK$118.5 million for the corresponding period last year.

The segment result for the current period recorded a profit amounted to approximately HK$5 million (2004: approximately HK$5 million). The result is after the inclusion of an exchange gain amounted to approximately HK$1.4 million. The positive impact from Renminbi appreciation, which has been resulted upon the appreciation of Renminbi on 21st July, 2005 with respect to the accounts payable prior to the appreciation, was however alleviated by foreign exchange loss resulted from revaluation of the Group's foreign currency balances as at 30th September, 2005, which comprised of mainly Swiss Francs and US Dollars.

During the period under review, the keen competition of the retail market in the PRC has been fiercely intensified because of the reasons, among others, set out below:

(1) More and more international funded market players are actively establishing foothold in the China's booming retail market;

(2) In order to cope with the challenges encountered, many market players adopted corporate restructuring such as merger and acquisition, formation of business alliance and broaden its capital base via initial public offering aiming to increase its own competitive edges in a short time.

Therefore, even though the overall market increases during the period under review, room for increasing the market shares as well as our profitability are severely restricted by these market players.

Under such fierce competition, the escalating operating costs such as rental and salary expenses as well as advertising and promotional expenses in the market pose high pressure and great challenge to all retailers. Moreover, the keen competition also exerts great downward pressure on the prices of the products sold. As a result, the net bottom line of the segment has been suffered during the current period.

During the period under review, the Group continued to strengthen the promotion of the Group's own watch brands namely, JUVENIA, a Swiss made, prestigious and elegance brand as well as ACCORD, a Swiss made, fashion and lifestyle brand. Their enhanced recognitions in the market such as the model "Monte Carlo Chronograph" of ACCORD, have laid a stable foundation for the future development in the PRC market. With the continued rapid economic growth, the demand for good quality and affordable pricing watch, where our ACCORD is positioned, is particularly great. In the coming future, the Group would continue to make a concerted effort in expanding the sales network of ACCORD, primarily in the PRC market by opening sales and administration office in major cities such as Beijing, Shanghai and Shenyang so as to gather more market intelligence, formulate our business policy and respond promptly to the market reaction. In addition, the Group would form business alliances with distributors for those markets outside the main cities so as to lessen the adverse effects of escalating operating costs in China.

As retail business is a "business of detail", during the period under review, the Group also incessantly enhanced its standard of services, the quality of its products and diversified the products series, and developed new products of different levels to suit the tastes of different consumers.

Properties Investment

Gross rental income generated from properties investment for the period ended 30th September, 2005 amounted to approximately HK$0.6 million (2004: approximately HK$2.1 million). The decrease in the gross rental income received during the period is because of the fact that the Group has realized its major properties investment in Dongguan in the second half period last year. The details have been disclosed in the annual report for the year ended 31st March, 2005.

SWISS OPERATION

During the period under review, our Swiss office recorded a loss amounted to approximately HK$0.4 million. After the brand JUVENIA has been dormant since the Group's financial restructuring in year 1996, it is currently in the initial re-launch stage. Hence, our Swiss office will recruit more experienced craftsmen and put more resources in the research and development project and develop more high-end jewellery products for the future growth. The long prestigious history of JUVENIA has given it a valuable position in the high end luxury market. The Company prepares to invest more on the research and development so that more unique or premium items can be offered to our loyal customers. We expect that there is huge room for business development in the high-end craftsmanship products market which itself offers distinct business future potential for JUVENIA. We take the view that the upgrade of the research and development expenditures will place the Group in the good position in terms of product innovation and designs, all aims to better serve our customers and markets, and to support our future growth.

Programming Service Provider

During the period under review, the segment revenue and result from the programming service recorded approximately HK$1.0 million (2004: approximately HK$0.9 million) and a loss of approximately HK$1.0 million (2004: loss of approximately HK$2.1 million) respectively. Segment loss was tapered to approximately HK1.0 million primarily through the stringent cost control measures imposed throughout the period under review.

As one of the adverse effects of the changes of market sentiment in the global information technology market in recent years, the Executive Board continues to adopt a conservative policy towards any business development proposal that leading to significant funding support from the Group. The Board expects that there will not be material adverse financial effect to the Group's overall performance in the near future.

EMPLOYEE

As at 30th September, 2005, the Group has around 542 employees about 89% of which are working in the PRC, mainly for the watch retailing business. Apart from the frontline colleagues, staff of different discipline of professionals such as product design, sales and marketing and brand development have been recruited during the period under review so as to cope with the business development. The Group has complied with all the labor laws or regulations in respective jurisdiction. The Group has, in accordance with applicable laws, established pension funds in the PRC. Total staff costs, including commission but excluding Directors' emoluments for the period ended 30th September, 2005 was amounted to approximately HK$18.3 million (2004: approximately HK$15 million). In order to maintain the Group's staff cost at a competitive level, the Group reviews remuneration packages including commission scheme from time to time and normally on yearly basis. Besides salary payments, other staff benefits including contributions to Mandatory Provident Fund, medical insurance, a discretionary bonus scheme and share option scheme, the Group also facilitates continuing education of staff in recognized associations.

The Board regards the human resources as invaluable asset for the Group's current achievement and future development. It is the Group's human resources policy to provide equal opportunity and high motivation to all its employees.

PROSPECTS

In the PRC, rising affluence, rising popularity of high end commodities, impact of the 2008 Beijing Olympics are driving demands for the luxurious watches and jewellery. Therefore the PRC market has become the focal point for leading brands as well as new brands which have encountered limited growth opportunities in the mature American and European markets. The PRC market is the most promising of the emerging markets for the international watches brands.

During the past years' fruitful result, the Group took full advantage of strengths and market recognition of our retail chain to provide our customers with high quality products and successfully accomplished an elevation in the high-end brand position in the marketplace.

The proven result retail chain provides a good platform for the international brands, in particular new brands that aim at establishing prominent presence in the Mainland China. Apart from the watches, up to the date of this announcement, our marketing teams are structuring an introduction program of European famous jewellery brands such as FABERGÉ® and WELLENDORFF into our retail chain. We aim to develop and maintain long term relationships with our business partners based on openness, honesty and trust. We seek to understand their business needs and aim to provide mutual support to ensure that sustainable business partnerships are established.

The Group will continue to upgrade its existing information infrastructure so as to maintain its competitive edges. The new version adopts web-based technology, implemented by JAVA language, backed up with ORACLE database and Crystal Reports Server. The new version allows the management of our retail chain to access and manage real-time corporate information at anywhere and anytime on top of a secure platform. The new information infrastructure provides up-to-date, accurate and sophisticated information for the rapid formulation process of our business policy so as to cope with the dynamic keen market competition encountered by our retail chain. For example, more stringent inventory provision policy is adopted during this period so as to reflect the fact that the market keen competition exerts great pressure on the market shares, pricing as well as profit margin of our products distributed through our retail chain. The overall stock turnover period, in particular those aged models, is increased. Therefore the depreciation rate for those slow-moving inventories is accelerated in this period, which is in line with the risk management of the inventory control.

Upon the positive recognition from the market, our ACCORD will kick off the second stage of business development by establishing regional distribution arrangements with reputable agents for the Mainland China market. The Board anticipates that the market share of our ACCORD will be increased accordingly.

Despite the great threats of the escalating operating costs and the keen competition, the mega trends of the resumption of the domestic spending in the Mainland China remain steady on course. The Group will cautiously review the expansion pace and consolidation scheme of the existing retail shops and tighten cost controls aiming at achieving steady business growth in the retail market.

The watch and jewellery industry in Asia, in particularly, the PRC, is expected to demonstrate a strong momentum in the coming future. The Group will also consider penetrating into new markets such as Middle East, Taiwan and other Asian markets.

Lastly the impact on the Mainland China's or the global economy due to the potential but foreseeable pandemic of an avian flu would be unpredictable and would very much dependent on the scale of the infected areas on the global level.

Looking forward to the coming half year, the Group will continue to focus on our core business i.e. Watch Trading and Retailing. It also focuses on brand building, which is believed to bring positive development and benefits to the Group in the long run.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices (the "Code")

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30th September, 2005, except for the following major deviations:

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A.4.2 stipulates that all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Currently, non-executive directors are not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, they are subject to retirement by rotation at each annual general meeting under the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code. Furthermore, under the existing Bye-Laws of the Company, the Chairman of the Company are not subject to retirement by rotation. This constitutes a deviation from the code provision A.4.2. To comply with the good corporate governance practices and avoiding the legal and professional costs incurred for the amendments of the existing Bye-Laws of the Company, the Chairman of the Company undertakes voluntarily to the Company that he is subject to retirement by rotation at each annual general meeting in accordance with the Bye-Laws of the Company.

The Company is committed to implement good corporate governance practices and has established a Remuneration Committee in July 2005 and an Audit Committee in January 1999. The terms of reference of the aforesaid committees have been established and will be placed on the Company's website to ensure full compliance with the code provision B.1.4 and C.3.4.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that have fully complied with the required standard as set out in the Model Code throughout the period under review.

Audit Committee Review

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th September, 2005. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standards 700 issued by the HKICPA.

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.

PUBLICATION OF DETAILED INTERIM RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED'S WEBSITE

All information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Sum Pui Ying, Adrian
Managing Director

Hong Kong, 22nd December, 2005

As at the date of this announcement, the Board comprises Mr. Leung Chung Ping, Owen, Mr. Sum Pui Ying, Adrian as executive directors, Miss Leung Miu King, Marina as non-executive director and Mr. Sit Kien Ping, Peter, Mr. Lai Si Ming and Mr. Frank H. Miu as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.