THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Commercial Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular does not constitute an offer of, nor it is calculated or intended to invite offers for, shares of Asia Commercial Holdings Limited.

ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

Proposed Open Offer
of a total of 266,975,612 Offer Shares to Qualifying Shareholders
(on the basis of 4 Offer Shares for every 5 Shares held)
at HK$0.40 per Offer Share

Independent Financial Adviser

Hantec Capital Limited

The letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 22 of this circular. The letter from Hantec Capital Limited, the Independent Financial Adviser containing its advice to the Independent Board Committee of the Company and the Independent Shareholders is set out on pages 23 to 35 of this circular.

Dealings in existing Shares on the Stock Exchange will go "ex-entitlement" to the Open Offer from Monday, 20th August 2007. Dealings in such Shares will then accordingly take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be Monday, 24th September 2007) will accordingly bear the risk that the Open Offer may not become unconditional and proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional advisers. Please refer to the section headed "Termination of the Underwriting Agreement" in the "Letter from the Board" in this circular for further details.

A notice convening a special general meeting of Asia Commercial Holdings Limited at Jasmine Room, 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong at 10:30 a.m. on Thursday, 30th August 2007 is set out at the end of this circular. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed hereon to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

* *For identification purposes only*

13th August 2007

CONTENTS

Accompanying document: proxy form

The expected timetable for the Open Offer is set out below:

	2007
Despatch date of this circular	Monday, 13th August
Last day of dealings in Shares on a cum-entitlement basis	Friday, 17th August
First day of dealings in Shares on an ex-entitlement basis	Monday, 20th August
Latest time for lodging transfers of Shares to qualify for the Open Offer	4:00 p.m. on Tuesday, 21st August
Register of members closes (both dates inclusive)	Wednesday, 22nd to Thursday, 30th August
Latest time for return of proxy form for the SGM	10:30 a.m. on Tuesday, 28th August
SGM	10:30 a.m. on Thursday, 30th August
Record Date	Thursday, 30th August
Register of members re-opens	Friday, 31st August
Despatch of the Prospectus Documents	Monday, 3rd September
Latest time for acceptance of, and payment for, Offer Shares	4:00 p.m. on Tuesday, 18th September
Open Offer expected to become unconditional on or before	4:00 p.m. on Monday, 24th September
Announcement of results of the Open Offer on or before	Tuesday, 25th September
Certificates for Offer Shares expected to be despatched on or before	Tuesday, 25th September
Dealings in Offer Shares on the Stock Exchange expected to commence on	9:30 a.m. on Friday, 28th September

Notes:

1. All references to time and dates refer to Hong Kong local time and dates.

2. The latest time for acceptance of and payment for the Open Offer will not be 4:00 p.m. on 18th September 2007 (ie the Latest Acceptance Time) as indicated above if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning:

   (i) in force in Hong Kong at any local time before 12:00 noon (but no longer in force after 12:00 noon on the Latest Acceptance Time), in which case the latest time for acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same day instead; or

   (ii) to the extent paragraph (i) above does not apply, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Time, in which case the latest time for acceptance of and payment for the Open Offer and the Latest Acceptance Time will be rescheduled to 4:00 p.m. on the next following business day which does not have either of those warnings in force so that the foregoing provisions in this paragraph (ii) or the above paragraph (i) apply again. If the latest date for acceptance of and payment for the Open Offer does not take place at 18th September 2007, the dates thereafter mentioned above may be affected, and in such event an announcement will be made by the Company in due course.

3. Dates and deadlines in the above expected timetable for the Open Offer are indicative only, and some of them may be varied by the Company (with, where necessary, agreement of the Underwriter). In such event, the Company will issue formal announcements.

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Announcement"	the announcement of the Company dated 17th July 2007 relating to, inter alia, the proposed Open Offer
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	a day (other than any Saturday, Sunday or day on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for clearing and settlement business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	Asia Commercial Holdings Limited, an exempted company incorporated in Bermuda with limited liability which has its issued shares listed on the Stock Exchange
"Committed Shares"	153,484,885 Offer Shares, representing the full entitlements of Mr. Eav and his relevant associates under the Open Offer, to be taken up pursuant to the Undertaking Letter
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	an independent board committee comprising Mr. Lai Si Ming, Miss Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent who are independent non-executive Directors and are not interested in the Open Offer, formed to give advice to the Independent Shareholders in respect of the Open Offer
"Independent Financial Adviser" or "Hantec Capital"	Hantec Capital Limited, a licensed corporation for Types 1 and 6 regulated activities under Schedule 5 of the SFO and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer
"Independent Shareholders"	Shareholders (other than Mr. Eav and his associates and Mr. Eav Ming Keong, Kinson (who is a son of Mr. Eav and also an Executive Director) who are required to abstain from voting on the Open Offer at the SGM under the Listing Rules)
"Last Trading Day"	Monday, 16th July 2007 (being the last trading day immediately prior to the publication of the Announcement)
"Latest Acceptance Time"	4:00 p.m. (Hong Kong Time) on Tuesday, 18th September 2007 or such other time as the Underwriter may agree in writing with the Company, being the latest time for acceptance of the Offer Shares
"Latest Practicable Date"	Wednesday, 8th August 2007 being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
"Latest Time for Termination"	4:00 p.m. (Hong Kong time) on the Latest Acceptance Time
"Listing Committee"	has the meaning ascribed thereto in the Listing Rules
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Loan Notes"	Swiss Francs 11.8 million 7/8% loan notes due 2010 issued by the Company in 1994 (with early redemption right exercisable by holders in February 2008)

"Mr. Eav"	Mr. Eav Yin, who was holding and interested in (by himself and through his associates) approximately 57.49% of the entire issued share capital of the Company as at the Latest Practicable Date and Chairman of the Company
"Non-Qualifying Shareholders"	Shareholders having addresses as shown on the register of members of the Company at the close of business on the Record Date outside Hong Kong and to whom the Offer Shares may not be lawfully offered without compliance with registration and/or other legal or regulatory requirements in such overseas jurisdictions
"Offer Share(s)"	new Share(s) to be issued and allotted under the Open Offer
"Open Offer"	the proposed open offer of the Offer Shares by the Company on the basis of 4 Offer Shares for every 5 Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK$0.40 per Offer Share on the terms and conditions of the Prospectus Documents
"Prospectus"	a prospectus of the Company containing details of, among other things, the Open Offer
"Prospectus Documents"	the Prospectus and the provisional allotment letter in relation to the Open Offer
"Prospectus Posting Date"	Monday, 3rd September 2007 or such later date as the Underwriter may agree in writing with the Company
"Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholders
"Record Date"	Thursday, 30th August 2007 or such other date as the Underwriter may agree in writing with the Company for the determination of entitlements of the Shareholders under the Open Offer
"Registrars"	Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, which are the branch registrars of the Company in Hong Kong
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at the time and place as set out in the notice of the SGM at the end of this circular to consider the Open Offer and the absence of arrangement for the Qualifying Shareholders to apply for those Offer Shares not taken up pursuant to Rule 7.24(5) and Rule 7.26(A)(2) of the Listing Rules, respectively
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	subscription price for the Offer Shares, being HK$0.40 per Offer Share
"Undertaking Letter"	irrevocable undertaking letter dated 16th July 2007 from Mr. Eav to the Company and the Underwriter, under which, inter alia, Mr. Eav undertook that he will himself take up and procure those of his associates to take up the Committed Shares
"Underwriter"	Eastern Rich Enterprises Limited, a company incorporated in Hong Kong and wholly owned by Mr. Eav
"Underwriting Agreement"	the underwriting agreement dated 16th July 2007 between the Company and the Underwriter in relation to the underwriting of the Open Offer
"HK$"	Hong Kong dollars
"%"	per cent.

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

(Incorporated in Bermuda with limited liability)
(Stock Code: 104)

Executive Directors:
Mr. Eav Yin (alias Duong Khai Nhon) *(Chairman)*
Mr. Eav Ming Keong, Kinson
Mr. Au Shiu Leung, Alex

Independent non-executive Directors:
Mr. Lai Si Ming
Miss Wong Wing Yue, Rosaline
Mr. Lee Tat Cheung, Vincent

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business:
19th Floor
9 Des Voeux Road West
Hong Kong

13th August 2007

To the Shareholders

Dear Sir or Madam,

Proposed Open Offer
of a total of 266,975,612 Offer Shares to Qualifying Shareholders
(on the basis of 4 Offer Shares for every 5 Shares held)
at HK$0.40 per Offer Share

INTRODUCTION

In the Announcement, the Company announced that it proposes to raise approximately HK$107 million, before expenses, by the issue of a total of 266,975,612 new Shares at the Subscription Price of HK$0.40 per Offer Share by way of an Open Offer to the Qualifying Shareholders to subscribe for up to the Offer Shares pro rata to their existing shareholdings on the basis of 4 Offer Shares for every 5 existing Shares held on the Record Date.

Mr. Eav is the existing ultimate controlling Shareholder. Mr. Eav entered into the Undertaking Letter pursuant to which Mr. Eav has irrevocably undertaken to the Company to take up (and procure his relevant associates to take up) the full entitlements of himself and of his relevant associates, comprising a total of 153,484,885 Offer Shares, under the Open Offer.

* *For identification purposes only*

Under the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite the subscription of the 113,490,727 Offer Shares pursuant to the Underwriting Agreement. In consideration of such underwriting arrangement, the Company will pay the Underwriter an underwriting fee at the rate of 2% of the aggregate Subscription Price of the 113,490,727 Offer Shares so underwritten.

Pursuant to Rule 7.24(5) the Listing Rules, the Open Offer will be put forward to the Independent Shareholders for consideration and, if thought fit, approval by way of an ordinary resolution at the SGM. Pursuant to Rule 7.26(A)(2) of the Listing Rules, the absence of arrangement for the Qualifying Shareholders to apply for those Offer Shares not taken up should also be specifically approved by the Independent Shareholders at the SGM. The votes on the ordinary resolution at the SGM approving the Open Offer and absence of such arrangements will be taken by poll.

Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the issue and allotment of any Offer Shares to the Underwriter under the Underwriting Agreement is exempt from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Open Offer. Hantec Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the proposed Open Offer.

The purpose of this circular is to provide you with further information regarding, among other things, the proposed Open Offer, the financial and other information of the Company and the Group, to set out the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the recommendation of the Independent Board Committee to the Independent Shareholders, and the notice of the SGM, which shall be convened for the purpose of considering and, if thought fit, approving the resolution in relation to the Open Offer.

THE PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer:	4 Offer Shares for every 5 Shares held on the Record Date by the Qualifying Shareholders
Number of Shares in issue as at the Latest Practicable Date:	333,719,516 Shares
Number of Offer Shares to be issued:	266,975,612 Offer Shares
Subscription price:	HK$0.40 per Offer Share

As at Latest Practicable Date, there are no outstanding convertible securities issued by the Company or options granted under the two share option schemes of the Company adopted on 15th September 1997 (which has been terminated) and 20th September 2002, respectively. The Company will not issue any new Shares prior to the Record Date.

TERMS OF THE OPEN OFFER

Subscription Price

The Subscription Price of HK$0.40 per Offer Share is payable in full upon acceptance of the provisional allotments of the pro rata entitlement to the Offer Shares by the relevant Qualifying Shareholders.

The Subscription Price represents:

(i) a discount of approximately 54% to the closing price of HK$0.87 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 24% to the theoretical ex-entitlement price of approximately HK$0.66 per Share based on the closing price per Share of HK$0.87 as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 55% to the average closing price of approximately HK$0.89 per Share for the previous five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 55% to the average closing price of approximately HK$0.89 per Share for the previous ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(v) a premium of approximately 11% to the consolidated net asset value per Share of HK$0.36 based on the audited consolidated net asset value of the Group of HK$119,883,000 as at 31st March 2007 and 333,719,516 Shares in issue as at the Latest Practicable Date; and

(vi) a discount of approximately 72% to the closing price of HK$1.44 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter, having regard to prevailing market conditions, the recent trading volume and price performance of the Shares on the Stock Exchange and the audited consolidated net asset value of the Group as at 31st March 2007. The Board considers the Subscription Price and the terms of the Open Offer to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions of the Open Offer

Please refer to the paragraph headed "Underwriting Arrangements" below.

Status of the Offer Shares

The Offer Shares (when allotted, issued and fully-paid) will rank *pari passu* with the Shares in issue on the date of allotment and issue of the Offer Shares in all respects. Holders of fully-paid issued Offer Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by reference to a record date falling after the date of allotment of the Offer Shares.

The Offer Shares will be traded in board lots of 1,000 Offer Shares. Fractions of Offer Shares will not be allotted. Each Qualifying Shareholder's entitlement under the Open Offer will be rounded down for the purposes of calculating its entitlement.

Qualifying Shareholders

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date.

In order to be registered as a member of the Company on the Record Date, all transfer of Shares (together with the relevant share certificate(s)) must be lodged with the Registrars at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, by no later than 4:00 p.m. (Hong Kong time) on 21st August 2007 pursuant to the expected timetable.

The Company will send the Prospectus Documents to the Qualifying Shareholders only. The Company will send the Prospectus, without the provisional allotment letter, to the Non-Qualifying Shareholders for information only.

The entitlement of the Qualifying Shareholders to apply and subscribe for the Offer Shares, allocated to a Qualifying Shareholder in the form of provisional allotment letter will not be transferable or renounceable, in whole or in part, for their own

benefits. There will not be any trading of nil-paid entitlements to the Offer Shares on the Stock Exchange. Any Offer Shares not taken up by the relevant Qualifying Shareholders (and the Offer Shares to which the Non-Qualifying Shareholders would otherwise have been entitled to under the Open Offer as referred to below) will not be available for subscription by other Qualifying Shareholders by way of excess application.

Non-Qualifying Shareholders

The Prospectus Documents will not be registered under the applicable securities or equivalent legislation of any jurisdictions other than in Hong Kong. The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any provisional allotment letters to the Non-Qualifying Shareholders.

Based on the register of members of the Company as at the Latest Practicable Date, there were approximately 17 Shareholders with registered addresses which were outside Hong Kong in the following countries: Canada, Macau Special Administrative Region of the People's Republic of China, Malaysia, New Zealand, The United Kingdom and the United States of America. As such, the Directors will make, in compliance with Rule 13.36(2) of the Listing Rules, enquiries with the relevant overseas lawyers with respect to regulatory prohibitions against the Company making the Open Offer to these Non-Qualifying Shareholders as at the Record Date. Such information will be disclosed in the Prospectus to be despatched by the Company in connection with the Open Offer. The Non-Qualifying Shareholders will nevertheless still be entitled to vote at the SGM.

The Company advises that Shareholders who have registered addresses outside Hong Kong and wish to be entitled to the provisional allotment of Offer Shares should change their registered addresses to addresses in Hong Kong on or before the latest time for lodging transfers of Shares to qualify for the Open Offer, that is, 4:00 p.m. on Tuesday, 21st August 2007. It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving the Prospectus Documents outside Hong Kong and wishing to take up the Offer Shares under the Open Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant territory or jurisdiction including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the Offer Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that those local laws and requirements of the relevant territory or jurisdiction have been fully complied with. If you are in any doubt as to your position, you should consult your professional advisers.

Registration and filing of the Prospectus Documents with the Registrars of Companies in Hong Kong and in Bermuda

Subject to the approval from the Independent Shareholders of the Open Offer at the SGM and receipt of the authorisation by the Stock Exchange under Chapter 11A of the Listing Rules, the Company will register a copy of each of the Prospectus Documents (together with other document(s) required to be attached thereto) with the Registrar of

Companies in Hong Kong in accordance with Section 342C of the Companies Ordinance on or before the Prospectus Posting Date. The Company will also file a copy of the Prospectus with the Registrar of Companies in Bermuda on or before or as soon as reasonably after the Prospectus Posting Date in accordance with the Companies Act.

Closure of register of members

Pursuant to the expected timetable, the register of members of the Company will be closed from 22nd August 2007 to 30th August 2007, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

The last day of dealings in Shares on cum-entitlement basis is Friday, 17th August 2007, after which the trading in the Shares will go ex-entitlement to the Open Offer.

Share certificates and refund cheques

Subject to the fulfillment of conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer and the Underwriting Agreement" below, certificates for the Offer Shares are expected to be posted, by ordinary post, on or before Tuesday, 25th September 2007 to those who have accepted/applied and paid for the Offer Shares at their own risks.

If the Open Offer does not become unconditional, refund cheques will be despatched, expected to be on or before Tuesday, 25th September 2007, to those who have accepted/applied and paid for the Offer Shares at their own risks.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Non-Qualifying Shareholders would otherwise have been entitled to under the Open Offer, will be taken up by the Underwriter in accordance with the Underwriting Agreement.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares on the Stock Exchange will be in board lot of 1,000 Offer Shares, and are subject to the payment of the applicable stamp duty, Stock Exchange trading fee and SFC transaction levy.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	16th July 2007
Underwriter:	Eastern Rich Enterprises Limited, which is an investment holding company incorporated in Hong Kong. The entire issued share capital of the Underwriter is held by Mr. Eav
Number of Offer Shares underwritten:	113,490,727 Offer Shares (being the total number of Offer Share less the Committed Shares undertaken to be taken up by Mr. Eav and his relevant associates pursuant to the Undertaking Letter as described below)
Underwriting fee:	an underwriting fee at the rate of 2% of the aggregate Subscription Price of the 113,490,727 Offer Shares underwritten by the Underwriter is payable by the Company to the Underwriter

Mr. Eav is the existing ultimate controlling Shareholder. As at the Latest Practicable Date, Mr. Eav was directly and indirectly through his associates holding and interested in a total of 191,856,107 Shares, representing approximately 57.49% of the entire issued share capital of the Company. Mr. Eav has irrevocably undertaken to the Company to take up by himself and procure his relevant associates being immediate Shareholders to take up their respective entitlements, comprising a total of 153,484,885 Offer Shares, under the Open Offer.

The Underwriter, the entire share capital of which is wholly owned by Mr. Eav, does not hold any Shares currently.

Pursuant to the Undertaking Letter, Mr. Eav has irrevocably undertaken to the Company that (a) he will not dispose of (or procure the disposal of) any of the 191,856,107 Shares held by himself and by his relevant associates prior to the Latest Acceptance Time; and (b) he will take up and procure those of his associates to take up and pay for the Committed Shares on and subject to terms of the Open Offer. The undertaking is conditional upon fulfillment of the conditions of the Open Offer (other than that in relation to fulfillment of Mr. Eav's obligations under the Undertaking Letter) as mentioned below. The remaining balance of the Offer Shares have been fully underwritten by the Underwriter under the Underwriting Agreement.

It is not in the ordinary or usual course of business of the Underwriter to enter into this type of underwriting arrangement.

Conditions of the Open Offer and the Underwriting Agreement

The Open Offer and the Underwriting Agreement are each conditional upon:

(a) the passing by the Independent Shareholders (other than those persons, if any, who are required to abstain from voting in favour under the Listing Rules) at the SGM of an ordinary resolution approving the Offer Shares under the Open Offer;

(b) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;

(c) the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date;

(d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of and permission to deal in all the Offer Shares;

(e) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms at or before the Latest Time for Termination;

(f) fulfillment of the obligations of Mr. Eav under the Undertaking Letter; and

(g) trading in the Shares on the Stock Exchange not being suspended for more than five consecutive business days at any time prior to the Latest Time for Termination (excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer).

Conditions in (a) to (d) are not waivable by any party under the terms of the Underwriting Agreement. In the event that conditions (a) to (g) (inclusive) have not been satisfied or waived (if applicable) on 31st October 2007 (or such other date as the Underwriter may agree with the Company in writing), the Open Offer and the Underwriting Agreement will not proceed.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived.

Termination of the Underwriting Agreement

The Underwriter reserves the right to terminate the arrangements set out in the Underwriting Agreement. **If at any time at or prior to the Latest Time for Termination:**

(a) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that, any of the warranties of the Company set out in the Underwriting Agreement was untrue, inaccurate misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Open Offer; or

(b) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;

(c) (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);

(iii) any change in local, national or international equity securities or currency markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);

(iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(v) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Group or a material proportion of the Shareholders in their capacity as such;

(vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of five business days;

(vii) any change occurs in the circumstances of the Company or any member of the Group,

which event or events is or are in the reasonable opinion of the Underwriter:–

(i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Company or the Group; or

(ii) likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or

(iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,

then, and in such case the Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing given to the Company on or before the Latest Time for Termination terminate the Underwriting Agreement forthwith.

If the Underwriter exercises such right and terminates the Underwriting Agreement, the Open Offer will not proceed.

The terms of the Underwriting Agreement were negotiated between the Company, the Underwriter and Mr. Eav on arm's length basis. Moreover, the rate of the underwriting fee was comparable to the prevailing market rates charged by commercial underwriters to underwrite recent open offers or rights issue by listed issuers of similar size in Hong Kong. The Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Undertaking Letter, Mr. Eav has also undertaken to the Company that if the Underwriter fails to observe the timely performance of any or all its obligation under the Underwriting Agreement, he will fulfil or procure fulfilment of all of such obligations in compliance with the terms of the Underwriting Agreement.

REASONS OF THE OPEN OFFER AND USE OF PROCEEDS

The Company is an investment holding company and its subsidiaries are principally engaged in trading and retailing of watches and property leasing. As announced in the results announcement of the Company dated 12th July 2007, the Company recorded audited consolidated net assets of approximately HK$120 million as at 31st March 2007 and net losses of approximately HK$50 million respectively for the year then ended.

The Company had outstanding Loan Notes of approximately HK$73 million (inclusive of accrued interest and redemption premium) as at 31st March 2007. It is expected the holders of the Loan Notes will, under the terms and conditions of the Loan Notes, request the Company to early redeem the Loan Notes on 23rd February 2008. The Directors consider that the Open Offer provides a good opportunity for the Group to capitalise on the recent positive market sentiment to raise funds to strengthen its capital base, provide funds for the redemption of the Loan Notes and improve its financial position to provide flexibility for the Group's future development and expansion of its retail network. It enables the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company.

Although both open offer and rights issue allow Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company, the Directors consider that Open Offer, which does not require time for trading of nil-paid rights shares and will not incur costs for the trading of nil-paid rights, is more time and cost effective, and is in the interests of the Company and the Shareholders as a whole, to raise capital.

In deciding to dispense with the arrangements for the Qualifying Shareholders to take up Offer Shares in excess of their entitlements under the Open Offer, the Company has considered, inter alia, the benefits to the Company to maintain the current continuity in management and shareholding of the Company under the stewardship of Mr. Eav since the takeover offer by Mr. Eav in November 2006. After arm's length negotiation with the Underwriter, the Company decided that no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements.

The net proceeds of the Open Offer, after deduction of expenses, are estimated to be approximately HK$105 million. The Company intends to apply such amount as to (a) approximately HK$73 million for repayment of the Loan Notes and (b) as to the remaining balance of approximately HK$32 million as the Group's general working capital. With the proceeds of the Open Offer, the liquidity of the Group would be enhanced for the benefit of the Group and the Shareholders ultimately.

The Company did not conduct any fund raising by issue of equity securities over the past 12 months immediately prior to the date of the Announcement for the purposes of Rule 7.24(5)(b) of the Listing Rules.

WARNING OF THE RISKS OF DEALINGS IN SHARES AND OFFER SHARES

Pursuant to the expected timetable, the Shares will be dealt in on an ex-entitlement basis from Monday, 20th August 2007. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Underwriting Agreement are not fulfilled or waived (other than conditions (a) to (d)), the Open Offer will not proceed. Any person dealing in the Shares on an ex-entitlement basis will accordingly bear the risk that the Underwriting Agreement may not become unconditional and the Open Offer may not proceed.

Any Shareholder or other person contemplating selling or purchasing Shares, from now up to the date on which the Underwriting Agreement becomes unconditional, who is in any doubt about his/her position is recommended to consult his/her own professional advisers.

Shareholders and interested public are reminded to exercise extreme caution when dealing in the Shares.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The authorised share capital of the Company is currently HK$100,000,000.00 divided into 1,000,000,000 Shares.

The following table sets out the potential impact of the Open Offer on the issued shareholding structure of the Company:

	Immediately before completion of the Open Offer		Upon completion of the Open Offer Assuming the Qualifying Shareholders taking up their entitlements under the Open Offer in full		Upon completion of the Open Offer Assuming Mr. Eav and his associates taking up the Committed Shares and the Underwriter taking up all underwritten Offer Shares	
	Number of Shares	*Approx. percentage (%)*	*Number of Shares*	*Approx. percentage (%)*	*Number of Shares*	*Approx. percentage (%)*
Mr. Eav and his associates (excluding the Underwriter) *(Note 1)*	191,856,107	57.49	345,340,992	57.49	345,340,992	57.49
The Underwriter	–	–	–	–	113,490,727	18.89
Mr. Eav and his associates	191,856,107	57.49	345,340,992	57.49	458,831,719	76.38
Other Director	393,000	0.12	707,400	0.12	393,000	0.07
Public *(Note 2)*	141,470,409	42.39	254,646,736	42.39	141,470,409	23.55
Total	333,719,516	100.00	600,695,128	100.00	600,695,128	100.00

Notes:

1. Mdm. Lam Kim Phung, Chanchhaya Trustee Holding Corporation (as trustee of Eav An Unit Trust), Century Hero International Limited, Debonair Company Limited, Goodideal Industrial Limited and Hexham International Limited are the associates of Mr. Eav holding as at the Latest Practicable Date 447,000, 32,876,000, 140,907,607, 518,000, 5,547,980 and 708,520 Shares, respectively, totaling 191,856,107 Shares. Mr. Eav was personally holding 10,851,000 Shares as at the Latest Practicable Date. The Underwriter is also an associate of Mr. Eav.

2. Save as expressly disclosed above, the above table does not take into account any Shares falling to be taken up by any other particular Shareholders of the public under the Open Offer.

If and when the Shares held by the public falls below 25% as required by the Listing Rules as a result of the Open Offer or taking up of any Offer Shares by the Underwriter, the Stock Exchange has the right to suspend trading in the Shares on the Stock Exchange until such percentage is restored to 25% or above under the Listing Rules. To avoid the public float being less than 25% of the issued share capital of the Company upon completion of the Open Offer, the Underwriter shall, before completion of the Open Offer, procure disposal of (or placing, through placing agent) sufficient Shares by the Underwriter or its associates (including Mr. Eav) to independent third parties (being members of the "public" as defined in the Listing Rules) on or off the market before completion of the Open Offer, so that the public float will be no less than 25% of the issue share capital of the Company upon completion of the Open Offer.

The Stock Exchange has stated that if, at the date of completion of the Open Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading in the Shares; or**

- **there are too few shares of the Shares in public hands to maintain an orderly market,**

then it will consider exercising its discretion to suspend trading in the Shares until a sufficient public float is attained.

SGM

A notice convening the SGM to be held at Jasmine Room, 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong at 10:30 a.m. on 30th August 2007 is set out at the end of this circular. Pursuant to Rule 7.24(5) the Listing Rules, the Open Offer will be put forward to the Independent Shareholders for consideration and, if thought fit, approval at the SGM. Pursuant to Rule 7.26(A)(2) of the Listing Rules, the absence of arrangement for the Qualifying Shareholders to apply for those Offer Shares not taken up should also be specifically approved by the Independent Shareholders at the SGM. According, an ordinary resolution will be proposed at the SGM to approve the Open Offer and the absence of such arrangements.

It is a condition of the Open Offer that the relevant resolution to approve the Open Offer is passed by the Independent Shareholders at the SGM on votes taken by way of poll. Mr. Eav and his associates (and including Mr. Eav Ming Keong, Kinson who is son of Mr. Eav and an Executive Director holding 393,000 Shares as at the Latest Practicable Date) shall abstain from voting on the ordinary resolution to approve the Open Offer at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed hereon to the Registrars, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

Pursuant to the bye-law 70 of the Company's bye-laws, a resolution put to the vote of a general meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for poll) is required under the Listing Rules or a poll is demanded by:

(i) the chairman of the meeting;

(ii) at least three shareholders present in person or by proxy or representative for the time being entitled to vote at the meeting;

(iii) any member or shareholders present in person or by proxy or representative and representing not less than one-tenth of the total voting rights of all the shareholders having the right to attend and vote at the meeting;

(iv) any member or shareholders present in person or by proxy or representative and holding shares in the Company conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

(v) if required by the Listing Rules, by the chairman of such meeting or Director or Directors who individually or collectively hold proxies in respect of Shares representing five per cent (5%) or more of the total voting rights at such meeting.

Under the Listing Rules, if the chairman of the meeting and/or the Directors individually or collectively hold(s) proxies in respect of Shares representing 5% or more of the total voting rights of the Company at the SGM, and if the votes cast at the SGM on a show of hands are in the opposite manner to that instructed in those proxies, then the chairman shall demand a poll. However, if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands, then the chairman shall not be required to demand a poll.

RECOMMENDATION

The Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

The text of the advice letter from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer is set out immediately after this letter from the Board.

Your attention is also drawn to the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders containing its recommendations and the principal factors and reasons considered by it in arriving at the recommendation. The text of the letter from the Independent Financial Adviser is set out immediately after the advice letter from the Independent Board Committee.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular and the notice of the SGM.

By order of the Board
Asia Commercial Holdings Limited
Au Shiu Leung, Alex
Executive Director and Company Secretary

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

13th August 2007

To the Independent Shareholders,

Dear Sir or Madam,

Proposed Open Offer
of a total of 266,975,612 Offer Shares to Qualifying Shareholders
(on the basis of 4 Offer Shares for every 5 Shares held)
at HK$0.40 per Offer Share

We have been appointed by the Board as members of the Independent Board Committee to advise you in connection with the Open Offer, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 13th August 2007 (the "Circular") of which this letter forms a part. The terms used in this letter shall have the meanings as given to them in the Circular unless the context otherwise requires.

Your attention is drawn to the "Letter from Hantec Capital" concerning its advice to us regarding the Open Offer as set out on pages 23 to 35 of the Circular.

Having considered the terms and conditions of the Open Offer and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and that they are in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend the Independent Shareholders to vote in favour of the resolution as set out in the notice of the SGM to approve the Open Offer.

Yours faithfully,
The Independent Board Committee of
Asia Commercial Holdings Limited

Mr. Lai Si Ming	**Miss Wong Wing Yue, Rosaline**	**Mr. Lee Tat Cheung, Vincent**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

* *For identification purposes only*

The following is the full text of a letter of advice from Hantec Capital to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, which has been prepared for the purpose of inclusion in this circular:

Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

13 August 2007

To the Independent Board Committee and the Independent Shareholders of
Asia Commercial Holdings Limited

Dear Sirs or Madams,

PROPOSED OPEN OFFER ON THE BASIS OF FOUR OFFER SHARES FOR EVERY FIVE SHARES HELD

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer, details of which are set out in the letter from the Board (the "**Board Letter**") contained in this circular (the "**Circular**") dated 13 August 2007 issued by the Company, of which this letter forms part. Capitalised terms used in this letter without definitions shall have the same meanings set out in the Circular unless the context otherwise requires.

On 17 July 2007, the Board announced, among other things, the Company's proposal to raise approximately HK$107 million before expenses by way of open offer of 266,975,612 new Shares at a price of HK$0.40 per Offer Share, on the basis of four Offer Shares for every five Shares held by the Qualifying Shareholders on the Record Date. The Offer Shares will be fully underwritten by Eastern Rich Enterprises Limited, save as regards the Offer Shares in respect of which Mr. Eav, the controlling shareholder of the Company, has irrevocably undertaken to take up by himself and procure his relevant associates to take up their respective entitlements under the Offer Shares in full, being a total of 153,484,885 Offer Shares. Eastern Rich Enterprises Limited is wholly owned by Mr. Eav.

As the Open Offer will increase the issued share capital of the Company by more than 50% and no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlement, pursuant to Rules 7.24(5) and 7.26(A)(2) of the Listing Rules respectively, the Open Offer and the absence of arrangement for the Qualifying Shareholders to apply for those Offer Shares not taken up are subject to the approval by the Independent

Shareholders at the SGM by poll. Mr. Eav and his associates (including Mr. Eav Ming Keong, Kinson who is the son of Mr. Eav and an Executive Director holding 393,000 Shares as at the Latest Practicable Date) shall abstain from such votings.

The Independent Board Committee, comprising the independent non-executive Directors, namely Mr. Lai Si Ming, Miss Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent, has been established to advise the Independent Shareholders in respect of the Open Offer and to give a recommendation to the Independent Shareholders in relation to the voting of the relevant resolution at the SGM in respect of the Open Offer.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company, and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

We have not considered any tax implications on Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares or otherwise, since these are dependent on their individual circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares or otherwise. Qualifying Shareholders are urged to consult their own professional advisers if they are in doubt as to the investment value of the Offer Shares or as to their individual tax position.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, we have considered the following principal factors and reasons:

I. Reasons for the Open Offer

(a) Financial and business highlights of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in trading and retailing of watches and property leasing. Set out below is a summary of the audited consolidated income statement of the Group for the two years ended 31 March 2007 as extracted from the annual report of the Company for the financial years 2006 and 2007:

	Year ended 31 March 2007 *HK$'000*	**Year ended 31 March 2006** *HK$'000*
Turnover	369,376	330,233
Gross profit	135,855	129,619
Profit/(loss) before taxation	(47,283)	7,435
Profit/(loss) after taxation	(49,794)	5,186

The audited consolidated balance sheet of the Group for the two years ended 31 March 2007 as extracted from the annual report of the Company for the financial years 2006 and 2007 are set out below:

	As at 31 March 2007 *HK$'000*	**As at 31 March 2006** *HK$'000*
Non-current assets	46,198	49,997
Current assets	225,786	258,630
Current liabilities	149,533	64,518
Net current assets	76,253	194,112
Total assets less current liabilities	122,451	244,109
Non-current liabilities	2,568	74,139
Net assets	119,883	169,970

As disclosed in the Company's annual report for the year ended 31 March 2007 ("2007 Annual Report"), the Company recorded audited consolidated net assets of approximately HK$120 million as at 31 March 2007. The Group recorded net losses of approximately HK$50 million for the year comparing to a profit of approximately HK$5 million in 2006, which was principally resulted from the write-down of inventory as mentioned below. Turnover for the watch trading and retailing segment increased by 12% from HK$330 million to HK$369 million.

In November 2006, Mr. Eav took over the Group (the "Takeover") and restructured its business. Following the change in management, the Group has undertaken a review of the business of the overseas operation. The Taiwan regional office of Juvenia, the Group's own brand which incurred losses during the year, was closed to allow the Group to focus on the Mainland China market. The Mainland China operations of Juvenia was substantially scaled down during the year. Significant write-down of HK$63 million was therefore made against obsolete and slow-moving inventories during the year. In December 2006, the Group disposed of its programming services so that the Group can concentrate its resources on the development of the core business of watch trading and retailing.

During the year new shops were opened in Beijing, Shanghai and Chengdu to expand the "Time City" retail network in Mainland China including new boutique shops for "Blancpain". The management are reviewing the operations in order to improve efficiency, which will translate to cost savings and pass to the customers. Staff number for the watch trading and retail operations was reduced and efficiency improvement measures were adopted for the benefit of the Group in the long term. The Group continues to work with the major European brands, which are popular amongst the Mainland China customers as well as introduction of new brands to the Mainland China market where they see the development for the years to come. It is the Group's intention to work closely with them to expand into the Mainland China market.

As disclosed in the 2007 Annual Report, the Company had audited cash and cash equivalents of approximately HK$118.2 million as at 31 March 2007. The working capital of the Group decreased from approximately HK$194.1 million as at 31 March 2006 to approximately HK$76.3 million as at 31 March 2007. The decrease in working capital was principally due to the reclassification of the Loan Notes from non-current to current liabilities and write-down of slow-moving inventories. The Group has outstanding Loan Notes of approximately HK$73.0 million (inclusive of accrued interest and redemption premium). It is expected that the holders of the Loan Notes will, under the terms and conditions of the Loan Notes, request the Company to redeem the Loan Notes on 23 February 2008.

(b) Reasons for the Open Offer

As stated in the Board Letter, the Directors consider that the Open Offer provides a good opportunity for the Group to capitalise on the recent positive market sentiment to raise funds to strengthen its capital base, provide funds for the redemption of the Loan Notes and improve its financial position to provide flexibility for the Group's future developments. The Company intends to apply the estimated net proceeds of the Open Offer of approximately HK$105 million as to (a) approximately HK$73 million for repayment of the Loan Notes and (b) as to the remaining balance of approximately HK$32 million as the Group's general working capital.

Having considered that (i) the Loan Notes may have to be redeemed in early 2008; (ii) the funds to be raised can provide flexibility for the Group's business developments; and (iii) the deteriorating working capital position of the Group, we consider that it is in the interest of the Company and its Shareholders to capitalize on the recent positive market sentiment to raise funds.

(c) Alternatives to the Open Offer

As advised by the Directors, they have considered alternative means for the Company to raise funds, including but not limited to bank financing, placement of new shares and rights issue. The Directors believe that taking borrowings or other bank financing would increase the Group's interest expenses and the Group's gearing ratio.

Apart from bank financing, common means of equity financing include placement of new shares, open offer and rights issue. The Directors consider that placing of new Shares by its nature excludes existing Shareholders and dilutes their interests in the Company without providing them with an opportunity to share the future benefits of the Company that may be brought about by the expansion of the Group's business. While both rights issue and open offer can raise funds and allow the Qualifying Shareholders to maintain their existing shareholdings in the Company and participate in the future growth and development of the Company, the Company opts for the latter as it does not require trading of nil-paid rights, and is more time and cost effective.

In view of the above, we concur with the Directors that the Open Offer is a better fund raising method for the Company and is in the interest of the Company and the Shareholders as a whole.

II. Terms of the Open Offer

The Open Offer is on the basis of four Offer Shares for every five Shares held on the Record Date at the Subscription Price of HK$0.40 each, which will be payable in full upon acceptance of the provisional allotments. The Subscription Price represents:

(i) a discount of approximately 54% to the closing price of HK$0.87 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 24% to the theoretical ex-entitlement price of approximately HK$0.66 per Share based on the closing price per Share of HK$0.87 as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 55% to the average closing price of approximately HK$0.89 per Share for the previous five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 55% to the average closing price of approximately HK$0.89 per Share for the previous ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

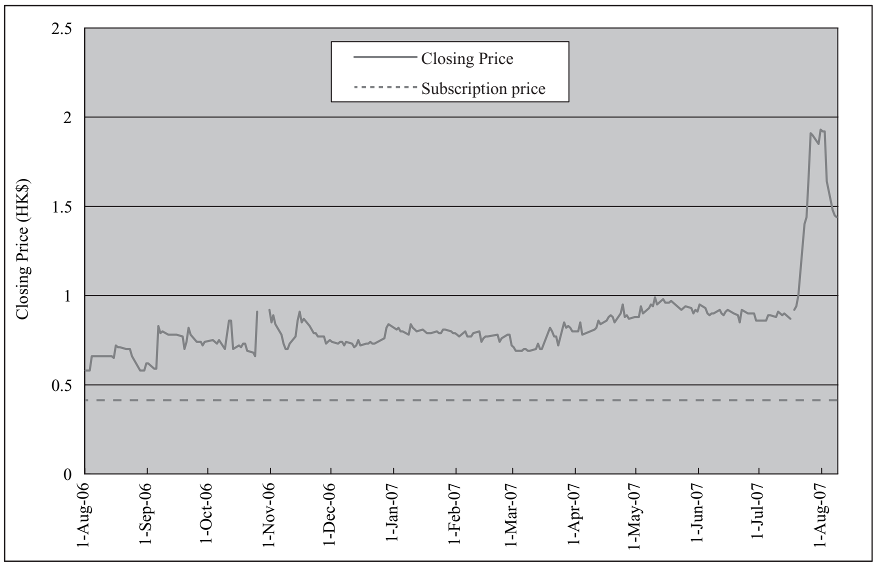
(v) a premium of approximately 11% to the consolidated net asset value per Share of HK$0.36 based on the audited consolidated net asset value of the Group of HK$119,883,000 as at 31 March 2007 and 333,719,516 Shares in issue as at the Latest Practicable Date; and

(vi) a discount of approximately 72% to the closing price of HK$1.44 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter, having regard to prevailing market conditions, the recent trading volume and price performance of the Shares on the Stock Exchange and the audited consolidated net asset value of the Group as at 31 March 2007. The Board considers the Subscription Price and the terms of the Open Offer to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(a) Review on market price of the Shares

Set out below is the daily closing price of the Shares as quoted on the Stock Exchange from 1 August 2006 up to and including the Latest Practicable Date (the "**Review Period**"):



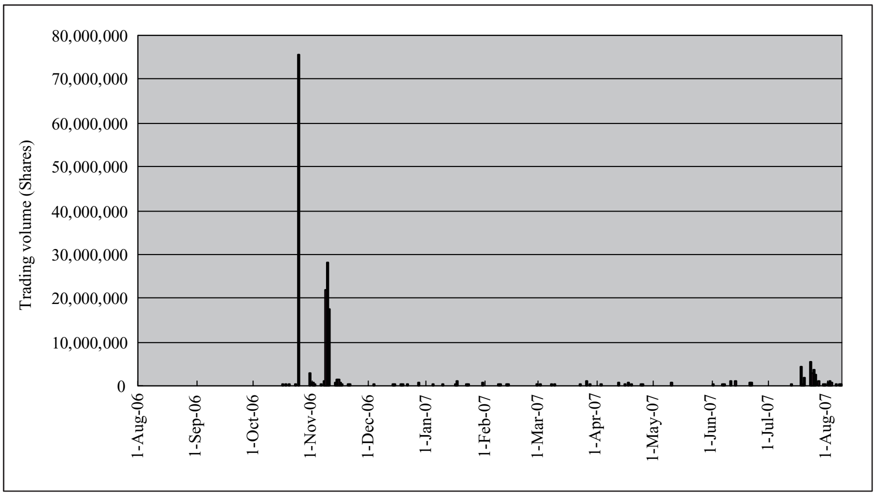
Source: www.hkex.com.hk

We note from above chart that the closing price of the Shares was continuously trading at price levels well above the Subscription Price and within the range of HK$0.58 to HK$1.93 during the Review Period. It gradually increased from the lowest point of HK$0.58 in August 2006 to a high point of HK$0.92 upon release of the announcement of the Takeover on 27 October 2006. After announcement of the capital reorganization on 9 February 2007, it gradually reached a low point of HK$0.69 in March 2007 and climbed up to HK$0.99 in May 2007. On the Last Trading Day, the Shares price closed at HK$0.87 and increased to HK$0.92 on 18 July 2007 after publication of the announcement of the Open Offer (the "Announcement").

The Directors advised that, in order to induce the Independent Shareholders to participate in the Open Offer, the Subscription Price of HK$0.40 per Share was set at a lower price than the recent market prices. As noticed from the open offers and rights issues conducted by other listed companies in Hong Kong recently set out in part II(c) below, it is the market practice to set the subscription price at a discount to the market price.

(b) Review on the trading volume of the Shares

Set out below is the daily trading volume of the Shares during the Review Period as quoted on the Stock Exchange:



Source: www.hkex.com.hk

We note that the daily trading volume of the Shares within the Review Period is significantly low relative to the Company's total issued Shares with most of the average daily trading volume below 300,000 Shares, or approximately 0.09% of the Company's issued share capital. The only active period was around October 2006 and November 2006 with the average daily trading volume of approximately 4,006,984 Shares and 3,454,586 Shares, or approximately 1.201% and 1.035 % of the Company's issued share capital respectively when the Takeover was announced on 27 October 2006.

In view of the extremely low liquidity of the Shares on the Stock Exchange, we consider that the Open Offer is a proper fund raising method than that of placing and setting the Subscription Price at a discount to the market price is acceptable.

(c) Comparison with other listed companies in Hong Kong

To our best knowledge, we have identified and reviewed the open offers and rights issues (with mechanism and structure similar to open offers) (the "**Comparables**") announced by the companies listing on the main board of the Stock Exchange since 1 January 2007 up to the Last Trading Day, as summarised below:

No.	Company name (Stock Code)	Fund raising method *(Note 1)*	Date of announce -ment	Offer ratio	Subscript -ion price *(HK$)*	(Discount) of subscription price to closing price of shares on the last trading day *(%)*	(Discount) of subscription price to theoretical ex-right price *(%)*	Premium or (Discount) of subscription price to the latest available net asset value per share *(%)*	Underwriting commission *(%)*
1	China Chengtong Development Group Limited (217)	R	9/1/2007	3 for 10	0.33	(42.10)	(35.90)	62.64	2.5
2	Climax International Company Limited (439)	O	9/1/2007	5 for 6	0.10	(23.08)	(16.67)	(72.22)	2.5
3	Capital Estate Limited (193)	R	26/1/2007	5 for 1	0.026	(80.88)	(40.90)	(91.03)	2
4	Bestway International Holdings Limited (718)	R	5/2/2007	1 for 2	0.16	(39.60)	(30.40)	(37.70)	1.5
5	Massive Resources International Corporation Limited (70)	O	9/2/2007	1 for 2	0.20	(9.09)	(6.10)	19.76	2.5
6	China Treasure (Greater China) Investments Limited (810)	R	12/2/2007	9 for 1	0.10	(97.50)	(79.59)	(97.34)	2.5
7	Unity Investments Holdings Limited (913)	R	12/3/2007	10 for 1	0.10	(76.19)	(22.54)	(94.37)	2.5
8	See Corporation Limited (491)	R	13/3/2007	4 for 1	0.20	(73.00)	(35.10)	(56.30)	2.5
9	Pacific Andes International Holdings Limited (1174)	R	23/3/2007	1 for 2	1.55	(34.30)	(25.80)	17.86	not available
10	Freeman Corporation Limited (279)	R	23/3/2007	1 for 2	0.12	(45.70)	(35.83)	(40.82)	2.5
11	Fortuna International Holdings Limited (530)	O	9/5/2007	2 for 1	0.18	(72.31)	(46.53)	(72.20)	2.0
12	Prosperity Investment Holdings Limited (310)	O	14/5/2007	1 for 2	0.135	(55.74)	(45.56)	(76.72)	1.5
13	TCL Multimedia Technology Holdings Limited (1070)	R	15/5/2007	1 for 2	0.40	(37.50)	(28.60)	31.10	0
14	Kingway Brewery Holdings Limited (124)	R	16/5/2007	2 for 9	2.42	(25.50)	(21.90)	74.1	3.7
15	Cheong Ming Investment Limited (1196)	R	25/5/2007	1 for 4	0.35	(44.44)	(39.00)	(44.00)	2.5
16	Shun Cheong Holdings Limited (650)	O	5/6/2007	1 for 2	0.4	(51.22)	(41.18)	(15.25)	1
17	Sino Katalytics Investment Corporation (2324)	R	12/6/2007	1 for 2	0.18	(0.28)	(10.45)	(48.13)	2.5
18	UDL Holdings Limited (620)	R	14/6/2007	1 for 2	0.09	(58.90)	(57.75)	2,400.00 *(Note 2)*	2.5
19	China Financial Industry Investment Fund Limited (1227)	R	21/6/2007	12 for 1	0.05	(91.94)	(46.70)	25.00	2.25
20	Suncorp Technologies Limited (1063)	R	26/6/2007	3 for 10	0.38	(26.92)	(22.08)	not applicable *(Note 3)*	not available
21	Kenfair International (Holdings) Limited (223)	O	27/6/2007	1 for 2	0.1	(89.13)	(84.54)	(0.99)	2.5
22	GZI Transport Limited (1052)	O	29/6/2007	1 for 2	3.93	(31.05)	(23.09)	4.80	1.75
23	Century Legend (Holdings) Limited (79)	R	3/7/2007	1 for 2	0.35	(61.00)	(51.00)	(59.00)	2.5
24	Shangri-la Asia Limited (69)	R	3/7/2007	1 for 9	18	(4.80)	(4.30)	120.00	1
					Lowest discount/Highest premium	(0.28)	(4.30)	120.00	0

No.	Company name (Stock Code)	Fund raising method	Date of announce-ment	Offer ratio	Subscript-ion price	(Discount) of subscription price to closing price of shares on the last trading day	(Discount) of subscription price to theoretical ex-right price	Premium or (Discount) of subscription price to the latest available net asset value per share	Underwriting commission
		(Note 1)			*(HK$)*	*(%)*	*(%)*	*(%)*	*(%)*
				Highest discount/Lowest premium		(97.50)	(84.54)	(97.34)	3.70
					Mean	(48.84)	(35.48)	(20.49)	2.12
					Median	(45.07)	(35.47)	(39.26)	2.50
	The Company (104)		17/7/2007	4 for 5	0.40	(54)	(24)	11	2.00

Source: *www.hkex.com.hk*

Notes:

1. "R" stands for rights issue, "O" stands for open offer.

2. The subscription price over the latest available net asset value per share of this company of approximately 2,400% is excluded in our comparison and calculation of mean and median as it is unusually high and may distort our analysis on the Comparables.

3. The company had negative equity.

As shown in the table above, the discounts of the subscription price to the closing price of the Comparables on the last trading day prior to the respective announcement (the "**Closing Price Range**") range from approximately 0.28% to 97.50% with mean and median of approximately 48.84% and 45.07% respectively. The discount of approximately 54% of the Subscription Price to the closing price per Share on the Last Trading Day falls within the Closing Price Range, and is higher than the mean and median of the Comparables.

The discounts of the subscription price to the theoretical ex-rights price of the Comparables on the last trading day prior to the respective announcement (the "**Theoretical Price Range**") range from approximately 4.30% to 84.54% with mean and median of approximately 35.48% and 35.47% respectively. The discount of approximately 24% of the Subscription Price to the theoretical ex-rights price per Share based on the closing price per Share on the Last Trading Day falls within the Theoretical Price Range, and is lower than the mean and median of the Comparables.

The subscription price to the net asset value per share of the Comparables range from a premium of 120.00% to a discount of approximately 97.34% (the "**Net Asset Range**"), with the mean and the median at discounts of approximately 20.49% and 39.26% respectively. The premium of the Subscription Price to the audited net asset value per Share as at 31 March 2007 of approximately 11% falls within the Net Asset Range.

Based on the above comparison, we are of the view that the Subscription Price is fair and reasonable so far as the Company and the Shareholders are concerned.

III. Financial effects on the Company

(a) Net tangible assets

According to the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group (the "Pro Forma Statement") set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group was approximately HK$120 million as at 31 March 2007. The unaudited pro forma adjusted net tangible assets of the Group would increase to approximately HK$225 million as a result of the Open Offer.

Based on the said audited consolidated net tangible assets of the Group of HK$120 million as at 31 March 2007 and the total number of issued share capital of 333,719,516 Shares, the audited consolidated net tangible asset value per Share was approximately HK$0.36. Upon completion of the Open Offer, the unaudited pro forma adjusted net tangible asset value per Share would slightly increase to approximately HK$0.37 based on the total number of issued share capital of 600,695,128 Shares upon completion of the Open Offer according to the Pro Forma Statement.

Accordingly, the net tangible assets and net tangible asset value per Share of the Group will be improved as a result of the Open Offer.

(b) Gearing ratio/Working capital

As part of the proceeds of the Open Offer will be used as general working capital, we consider the Open Offer would have a positive impact on the gearing as well as working capital position of the Group. Based on the Loan Notes of approximately HK$73.0 million and the total assets of approximately HK$272.0 million as at 31 March 2007, the gearing ratio of the Group was approximately 26.8%. Upon completion of Open Offer and taking into account that the application of the net proceeds of the Open Offer of approximately HK$105 million as to (a) approximately HK$73 million for repayment of the Loan Notes and (b) as to the remaining balance of approximately HK$32 million as the Group's general working capital, the gearing ratio of the Group would be reduced to zero.

The Group had cash and cash equivalents of approximately HK$118.2 million as at 31st March 2007. The cash and cash equivalents of the Group will be increased as a result of the net proceeds from the Open Offer. With the proceeds of the Open Offer, we concur with the Directors that the liquidity of the Group would be enhanced for the benefit of the Group and the Shareholders ultimately.

IV. Dilution effect on the Shareholders

Upon completion of the Open Offer, 266,975,612 new Shares will be issued. Qualifying Shareholders who elect to subscribe for in full their assured entitlements under the Open Offer will retain their current shareholding in the Company. Qualifying Shareholders who do not elect to subscribe for in full their assured entitlements under the Open Offer will be diluted after completion of the Open Offer by a maximum of approximately 44.44%. Despite the relatively high dilution effect by the Open Offer of a maximum of approximately 44.44%, we consider it should be balanced against the facts that (i) the Qualifying Shareholders have an equal opportunity to participate in the Open Offer; and (ii) the Open Offer will provide the Group with funding to repay the Loan Notes and for business development and improve the Company's financial position as mentioned above. As such, we consider the possible dilution effect on the Shareholders acceptable.

V. Underwriting arrangement

Pursuant to the Underwriting Agreement, the Company will pay the Underwriter an underwriting commission of 2.0% of the Subscription Price of the Offer Shares underwritten by the Underwriter. We have reviewed the underwriting commission of the Comparables in part II(c) above. We note that the underwriting commissions paid by the Comparables range from nil to 3.70% with mean and median of approximately 2.12% and 2.50% respectively. We consider that the commission charged by the Underwriter of 2.0% in the Open Offer is in line with market practice and is fair and reasonable to the Company.

Subject to the fulfillment of the conditions contained in the Underwriting Agreement, it should also be noted that the Open Offer would not proceed if the Underwriter exercises its termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the Board Letter.

VI. Absence of arrangement for application for excess Offer Shares

Under the Open Offer, there is no arrangement for application for excess Offer Shares by the Qualifying Shareholders. Hence, if the Qualifying Shareholders do not participate in the Open Offer by not taking up the Offer Shares to which they are entitled, the Underwriter would take up the shortfall of the relevant Underwritten Shares at the Subscription Price, which is at a discount to the market price of the Shares. As a result, the percentage shareholding interest of these Qualifying Shareholders who do not take up the Offer Shares in the Company will be diluted.

In deciding to dispense with the arrangements for the Qualifying Shareholders to take up Offer Shares in excess of their entitlements under the Open Offer, the Company has considered, inter alia, the benefits to the Company to maintain the current continuity in management and shareholding of the Company under the stewardship of Mr. Eav since the Takeover by Mr. Eav in November 2006.

We are aware of the aforementioned potential dilution to the Independent Shareholders' shareholding interests in the Company, and the absence of arrangement for excess application of the Offer Shares. However, we consider that the foregoings should be balanced against the fact that:

– The Independent Shareholders (who are also Qualifying Shareholders) have the right to decide whether to accept the Open Offer or not.

– Those Independent Shareholders (who are also Qualifying Shareholders) accepting the Open Offer in full shall maintain their interests unchanged in the Company after the Open Offer.

– The Independent Shareholders (including those non-Qualifying Shareholders) not accepting the Open Offer shall have their interests in the Company diluted but they shall be able to benefit from the overall improvement of the financial position of the Company after completion of the Open Offer.

– The Subscription Price is set at a discount to the prevailing market price of the Shares, which is within the range of the Comparables and provides reasonable attractiveness to the Qualifying Shareholders.

Therefore, we are of the view that no arrangement for excess application in the Open Offer is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Taking into consideration of the above principal factors, we consider that, on balance, the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Open Offer.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Kinson Li
Director

1. SUMMARY OF AUDITED FINANCIAL INFORMATION

The following is a summary, in comparative tables, of the audited consolidated income statements and balance sheets of the Group for the three years ended 31st March 2005, 2006 and 2007, respectively, which are all extracted from the relevant published audited financial statements of the Company in its annual reports for such years.

There was no qualification in any of the auditors' reports attached to the respective financial statements for such years.

Consolidated Income Statement

	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	369,376	330,233	255,650
Cost of sales	(233,521)	(200,614)	(155,961)
Gross profit	135,855	129,619	99,689
Other revenue	15,001	12,801	9,069
Distribution costs	(107,933)	(104,992)	(88,454)
Administrative expenses	(24,350)	(10,811)	(14,515)
Other operating expenses, net	(54,574)	(16,640)	(10,026)
(Loss) / profit from operations	(36,001)	9,977	(4,237)
Finance costs	(1,347)	(1,348)	(1,349)
Other (expenses) / income, net	(9,933)	(1,094)	10,781
Share of results of an associate	(2)	(100)	(167)
(Loss) / profit before taxation	(47,283)	7,435	5,028
Income tax	(2,511)	(2,249)	(933)
(Loss) / profit for the year	(49,794)	5,186	4,095
Attributable to:			
Equity holders of the Company	(49,543)	5,414	4,386
Minority interests	(251)	(228)	(291)
	(49,794)	5,186	4,095

Consolidated Balance Sheet

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Non-current assets			
Property, plant and equipment	23,035	24,391	19,844
Prepaid lease payments	8,728	8,839	3,272
Investment properties	14,005	13,133	20,146
Goodwill	–	2,081	3,261
Intangible assets	–	–	–
Interest in an associate	–	1,123	1,190
Available-for-sale investments	430	430	–
Investments in securities – investment securities	–	–	984
	46,198	49,997	48,697
Current assets			
Inventories – goods for resale	70,081	106,295	100,349
Prepaid lease payments	110	110	30
Trade and other receivables, deposits and prepayments	37,393	34,983	28,060
Cash and cash equivalents	118,202	117,242	120,465
Properties held for resale	–	–	6,230
	225,786	258,630	255,134
Current liabilities			
Trade and other payables and accrued charges	75,430	63,572	60,225
Income tax payable	1,078	946	260
Loan notes	73,025	–	–
	149,533	64,518	60,485
Net current assets	76,253	194,112	194,649
Total assets less current liabilities	122,451	244,109	243,346
Non-current liabilities			
Rental received in advance	2,568	2,643	2,996
Loan notes	–	71,496	70,690
	2,568	74,139	73,686
NET ASSETS	119,883	169,970	169,660

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
CAPITAL AND RESERVES			
Share capital	33,372	333,719	333,719
Reserves	86,511	(164,070)	(164,590)
Equity attributable to equity holders of the Company	119,883	169,649	169,129
Minority interests	–	321	531
TOTAL EQUITY	119,883	169,970	169,660

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST MARCH 2007

The following consolidated financial statements of the Group for the year ended 31st March 2007, comprising the consolidated income statements for the year ended 31st March 2007, consolidated balance sheet as at 31st March 2007, consolidated statement of changes in equity for the year ended 31st March 2007, consolidated cash flow statement for the year ended 31st March 2007, and the notes thereto, are extracted from the published audited financial statements of the Company for the year ended 31st March 2007.

Consolidated Income Statement

For the year ended 31st March 2007

	Note	**2007** *HK$'000*	**2006** *HK$'000*
Turnover	*6*	369,376	330,233
Cost of sales		(233,521)	(200,614)
Gross profit		135,855	129,619
Other revenue	*6*	15,001	12,801
Distribution costs		(107,933)	(104,992)
Administrative expenses		(24,350)	(10,811)
Other operating expenses, net		(54,574)	(16,640)
(Loss) / profit from operations		(36,001)	9,977
Finance costs	*9*	(1,347)	(1,348)
Other expenses, net		(9,933)	(1,094)
Share of results of an associate		(2)	(100)
(Loss) / profit before taxation	*8*	(47,283)	7,435
Income tax	*11*	(2,511)	(2,249)
(Loss) / profit for the year		(49,794)	5,186
Attributable to:			
Equity holders of the Company		(49,543)	5,414
Minority interests		(251)	(228)
		(49,794)	5,186
Basic (loss) / earnings per share	*14*	(14.85¢)	1.62¢

The notes on pages 44 to 87 form an integral part of these financial statements.

Consolidated Balance Sheet
As at 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	15	23,035	24,391
Prepaid lease payments	16	8,728	8,839
Investment properties	17	14,005	13,133
Goodwill	18	–	2,081
Intangible assets	19	–	–
Interest in an associate	22	–	1,123
Available-for-sale investments	23	430	430
		46,198	49,997
Current assets			
Inventories – goods for resale		70,081	106,295
Prepaid lease payments	16	110	110
Trade and other receivables, deposits and prepayments	24	37,393	34,983
Cash and cash equivalents	25	118,202	117,242
		225,786	258,630
Current liabilities			
Trade and other payables and accrued charges	26	75,430	63,572
Income tax payable	27	1,078	946
Loan notes	28	73,025	–
		149,533	64,518
Net current assets		76,253	194,112
Total assets less current liabilities		122,451	244,109
Non-current liabilities			
Rental received in advance		2,568	2,643
Loan notes	28	–	71,496
		2,568	74,139
NET ASSETS		119,883	169,970
CAPITAL AND RESERVES			
Share capital	29	33,372	333,719
Reserves	31	86,511	(164,070)
Equity attributable to equity holders of the Company		119,883	169,649
Minority interests		–	321
TOTAL EQUITY		119,883	169,970

Approved and authorised for issue by the Board of Directors on 12th July 2007 and are signed on its behalf by:

Au Shiu Leung, Alex
Director

Eav Ming Keong, Kinson
Director

The notes on pages 44 to 87 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Land and buildings revaluation reserve	Exchange reserve	Capital reserve	Contributed surplus	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April 2005	333,719	84	255	5,462	252,381	–	(422,772)	169,129	531	169,660
Excess depreciation on revalued properties	–	–	(13)	–	–	–	13	–	–	–
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(4,894)	–	–	–	(4,894)	–	(4,894)
Exchange adjustment	–	–	–	–	–	–	–	–	18	18
Profit for the year	–	–	–	–	–	–	5,414	5,414	(228)	5,186
Balance at 31st March 2006	333,719	84	242	568	252,381	–	(417,345)	169,649	321	169,970
Capital reduction *(Note 29(a))*	(300,347)	–	–	–	–	300,347	–	–	–	–
Transfer to set-off accumulated losses *(Note 29(a))*	–	–	–	–	–	(282,823)	282,823	–	–	–
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	94	–	–	–	94	–	94
Exchange adjustment	–	–	–	–	–	–	–	–	(70)	(70)
Disposal of subsidiaries	–	–	–	(317)	–	–	–	(317)	–	(317)
Loss for the year	–	–	–	–	–	–	(49,543)	(49,543)	(251)	(49,794)
Balance at 31st March 2007	33,372	84	242	345	252,381	17,524	(184,065)	119,883	–	119,883

The notes on pages 44 to 87 form an integral part of these financial statements.

Balance Sheet
As at 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Interest in subsidiaries	20	–	–
Current assets			
Other receivables, deposits and prepayments	24	148	400
Amounts due from subsidiaries	21	139,836	298,080
Cash and cash equivalents	25	2,221	71,851
		142,205	370,331
Current liabilities			
Other payables and accrued charges	26	3,150	3,046
Amounts due to subsidiaries	21	15,050	71,993
Loan notes	28	73,025	–
		91,225	75,039
Net current assets		50,980	295,292
Total assets less current liabilities		50,980	295,292
Non-current liabilities			
Loan notes	28	–	71,496
NET ASSETS		50,980	223,796
CAPITAL AND RESERVES			
Share capital	29	33,372	333,719
Reserves	31	17,608	(109,923)
TOTAL EQUITY		50,980	223,796

Approved and authorised for issue by the Board of Directors on 12th July 2007 and are signed on its behalf by:

Au Shiu Leung, Alex
Director

Eav Ming Keong, Kinson
Director

The notes on pages 44 to 87 form an integral part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	32	659	(1,242)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,491)	(4,464)
Interest received from other interest income		906	301
Interest received from short-term bank deposits		2,851	2,439
Disposal of interest in subsidiaries	34	(181)	–
NET CASH USED IN INVESTING ACTIVITIES		(3,915)	(1,724)
FINANCING ACTIVITIES			
Interest paid on the loan notes		(542)	(542)
NET CASH USED IN FINANCING ACTIVITIES		(542)	(542)
DECREASE IN CASH AND CASH EQUIVALENTS		(3,798)	(3,508)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		117,242	120,465
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		4,758	285
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		118,202	117,242
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Short-term bank deposits		62,304	95,109
Cash at bank and on hand		55,898	22,133
		118,202	117,242

The notes on pages 44 to 87 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31st March 2007

1. GENERAL

The Company is an investment holding company. Its subsidiaries are principally engaged in trading and retailing of watches and property leasing.

The Company is a limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 12th July 2007.

2. STATEMENT OF COMPLIANCE

These financial statements 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, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The accounting policies of the Group and Company after the adoption of these new and revised HKFRSs have been summarised in Note 3.

Application of new and revised Hong Kong Financial Reporting Standards

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[7]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
HK (IFRIC) – INT 8	Scope of HKFRS 2[2]
HK (IFRIC) – INT 9	Reassessment of Embedded Derivatives[3]
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment[4]
HK (IFRIC) – INT 11	HKFRS 2-Group and Treasury Share Transactions[5]
HK (IFRIC) – INT 12	Service Concession Arrangements[6]

1. Effective for annual periods beginning on or after 1st January 2007.
2. Effective for annual periods beginning on or after 1st May 2006.
3. Effective for annual periods beginning on or after 1st June 2006.
4. Effective for annual periods beginning on or after 1st November 2006.
5. Effective for annual periods beginning on or after 1st March 2007.
6. Effective for annual periods beginning on or after 1st January 2008.
7. Effective for annual periods beginning on or after 1st January 2009.

HKAS 39 and HKFRS 4 (Amendments) “Financial Guarantee Contracts” is effective for annual periods beginning on or after 1st January 2006.

Financial guarantee contracts were previously only disclosed as contingent liabilities as they did not fall within the scope of HKAS 39. Following the introduction of HKAS 39 and HKFRS 4 (Amendments), financial guarantee contracts should be treated as financial liabilities. Financial guarantee contracts should be measured initially at fair value and subsequently at the higher of (i) the amount determined in accordance with HKAS 37 - Provisions, Contingent Liabilities and Contingent Assets and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

The adoption of HKAS 39 and HKFRS 4 (Amendments) has no impact on the consolidated and Company balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group’s equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale.

(c) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognise for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 3(i)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in income statement.

On disposal of a cash generating unit, an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Property, plant and equipment

The following properties held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

- freehold land and buildings; and
- land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses:

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and
- other items of plant and equipment.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to income statement.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

(f) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in income statement. Rental income from investment properties is accounted for as described in Note 3(l).

When the Group holds a property interest under an operating lease to earn rental income or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see Note 3(i)). Intangible assets with indefinite useful lives that are acquired by the Group are stated in the balance sheet at cost less impairment losses (see Note 3(i)).

Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost and determined on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– investment in associates (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in income statement. All impairment losses on available-for-sale financial assets are recognised in income statement. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of the Group's other financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including bank and other borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in income statement.

(k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered to customer which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Provision of services

Revenue from provision of services is recognised when services are provided.

(iii) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iv) Rental income

Rental income, including rental invoiced in advance from letting of properties under operating leases, is recognised on a straight-line basis over the period of the respective leases.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with rules of the central pension scheme.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1st January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which related to that foreign operation is included in the calculation of the profit or loss on disposal.

(o) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in Note 3(e). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3(i). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(p) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortisation in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (2) the amount of that claims on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Segment information

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of the financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, management is required to exercise significant judgments in the selection and application of accounting principles, including making estimates and assumptions. The following is a review of the more significant accounting policies that are impacted by judgments and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

(i) Estimated impairment test of goodwill

The Group conducts tests for impairment of goodwill annually in accordance with the relevant accounting standards. Determining whether the goodwill is impaired requires an estimation of the value in use on basis of data available to the Group. Where the future cash flows are less than expected, an impairment loss may arise.

(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.

(iii) Property, plant and equipment

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

(iv) Impairment loss on trade and other receivables

The policy for impairment losses is based on an assessment of the recoverability of trade receivables and other receivables and interest in subsidiaries. Impairments are applied to trade receivables and other receivables and interest in subsidiaries where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and impairment loss expenses in the period in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables, trade payables, loan receivables and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining the flexibility in funding by arranging banking facilities and other external financing. Therefore, the risk is considered minimal.

(iii) Currency risk

The Group mainly operates in the mainland China and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in the United States dollar, Hong Kong dollar and Renminbi exchange rates, though certain subsidiaries have foreign currency transactions, mainly in United States dollar and Swiss Francs. Exchange rate fluctuations and market trends have always been the concern of the Group. As Hong Kong dollar and Renminbi are both under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, the Company will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

(iv) Cash flow interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate loan notes which details have been disclosed in Note 28 to the financial statements. The Group will continue to review the market trend, as well as its business operation needs and its financial position in order to identify the most effective tools for interest rate risk management.

(v) Fair value

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6. TURNOVER AND OTHER REVENUE

Turnover represents the gross proceeds received and receivable derived from the sales of watches, property leasing and provision of programming service and is summarised as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Turnover		
Sales of watches	367,708	327,125
Gross rental income from investment properties	687	964
Provision of programming service	981	2,144
	369,376	330,233
Other revenue		
Interest income from short-term bank deposits	2,639	2,633
Other interest income	906	301
Customer services income and others	11,456	9,867
	15,001	12,801
	384,377	343,034

7. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

For management purposes, the Group major operating business organised and managed is sales of watches.

(i) Business segment

Details of the segment information by business segments are as follows:

	2007			
	Sales of watches	**Others***	**Elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External sales	367,708	1,668	–	369,376
Inter-segment sales	–	631	(631)	–
	367,708	2,299	(631)	369,376
Segment results	(27,034)	(1,897)	–	(28,931)
Unallocated operating expenses				(10,615)
Operating loss				(39,546)
Interest income				3,545
Finance costs				(1,347)
Other expenses, net – allocated	(2,369)	(5,483)		(7,852)
– unallocated				(2,081)
				(9,933)
Share of results of an associate	–	(2)		(2)
Loss before taxation				(47,283)
Income tax				(2,511)
Loss for the year				(49,794)
Segment assets	184,082	22,519		206,601
Unallocated corporate assets				65,383
Consolidated total assets				271,984
Segment liabilities	70,006	4,012		74,018
Unallocated corporate liabilities				78,083
Consolidated total liabilities				152,101

	2007			
	Sales of watches	**Others***	**Elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other information				
Capital expenditure – allocated	7,073	371		7,444
Capital expenditure – unallocated				47
				7,491
Depreciation – allocated	5,613	871		6,484
Depreciation – unallocated				59
				6,543
Amortisation of prepaid lease payments	–	111		111
Non-cash expenses other than depreciation and amortisation				
Impairment loss				
Trade and other receivables – allocated	889	1,833		2,722
Trade and other receivables – unallocated				1,571
				4,293
Property, plant and equipment	1,497	1,000		2,497
Goodwill	–	2,081		2,081
Interest in an associate	–	1,144		1,144
Bad debt written off	12	36		48
Write-down slow-moving inventories	63,302	–		63,302
Write off of property, plant and equipment	325	–		325

* Others included property leasing and programming service income.

Details of the segment information by business segments are as follows:

	2006			
	Sales of watches	**Others***	**Elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External sales	327,125	3,108	–	330,233
Inter-segment sales	–	1,553	(1,553)	–
	327,125	4,661	(1,553)	330,233
Segment results	18,395	(1,927)	–	16,468
Unallocated operating expense				(9,425)
Operating profit				7,043
Interest income				2,934
Finance costs				(1,348)
Other expenses, net – allocated	(88)	723		635
– unallocated				(1,729)
				(1,094)
Share of results of an associate	–	(100)		(100)
Profit before taxation				7,435
Income tax				(2,249)
Profit for the year				5,186
Segment assets	203,490	27,363		230,853
Interest in an associate	–	1,123		1,123
Unallocated corporate assets				76,651
Consolidated total assets				308,627
Segment liabilities	57,140	5,675		62,815
Unallocated corporate liabilities				75,842
Consolidated total liabilities				138,657

	2006			
	Sales of watches	Others*	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other information				
Capital expenditure – allocated	3,537	791		4,328
Capital expenditure – unallocated				136
				4,464
Depreciation – allocated	6,125	755		6,880
Depreciation – unallocated				132
				7,012
Amortisation of prepaid lease payments	–	157		157
Non-cash expenses other than depreciation and amortisation				
Impairment loss				
Goodwill	–	1,180		1,180
Available-for-sale investments – unallocated				554
Bad debt written off	19	–		19
Write-back slow-moving inventories	(414)	–		(414)
Write off of property, plant and equipment	88	5		93

* Others included property leasing and programming service income.

(ii) Geographical segment

The Group's business operates in three main geographical areas. The Group has properties invested in all these geographical areas. Mainland China, excluding Hong Kong is a major market for the segment of sales of watches.

Details of the segment information by geographical segments are as follows:

	2007 Segment revenue	2006 Segment revenue
	HK$'000	*HK$'000*
Mainland China, excluding Hong Kong	364,143	318,729
Hong Kong	4,041	7,499
Switzerland	617	663
Others*	575	3,342
	369,376	330,233

An analysis of the carrying amount of segment assets and capital expenditure by the geographical area in which the assets are located is as follows:

	2007		2006	
	Carrying amount of segment assets	Capital expenditure	Carrying amount of segment assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China, excluding Hong Kong	150,221	6,209	134,168	2,882
Hong Kong	90,035	1,258	128,538	1,512
Switzerland	31,477	24	41,986	45
Others*	251	–	3,935	25
	271,984	7,491	308,627	4,464

* Others included U.S.A. and Taiwan.

8. (LOSS) / PROFIT BEFORE TAXATION

(Loss) / profit before taxation has been arrived after crediting & charging the following:

	2007	2006
	HK$'000	*HK$'000*
Crediting:		
Reversal of impairment on properties held for resale	–	294
Surplus arising from valuation of investment properties	–	728
Profit on liquidation of a subsidiary	–	5
Rental receivable from investment properties less direct outgoings of HK$9,000 (2006: HK$28,000)	678	936
Profit on disposal of subsidiaries	407	–
Net exchange gain	5,275	2,609
Charging:		
Impairment loss		
Trade and other receivables	4,293	–
Property, plant and equipment	2,497	–
Goodwill	2,081	1,180
Available-for-sale investments	–	554
Interest in an associate	1,144	–
Auditors' remuneration		
Audit services	827	480
Other services	275	105
Depreciation	6,543	7,012
Amortisation for the prepaid lease payments	111	157
Bad debt written off	48	19
Write-down/(write-back) of slow-moving inventories*	63,302	(414)
Write off of property, plant and equipment	325	93
Operating lease rentals in respect of rented premises:		
Minimum lease payments	25,161	23,942
Staff costs including directors' fees and emoluments *(Note 10)*	51,176	42,244
Retirement benefits scheme contributions, net of forfeited contributions of HK$ Nil (2006: HK$ Nil)	669	677
Cost of inventories recognised as expenses	218,394	200,240

* The Group re-assessed its inventory carrying amount as at 31st March 2007 based on historical sales experience of recent years. Due to the poor performance, several subsidiaries were streamlined and the Group charged HK$63,302,000 (2006: write-back HK$414,000) as write-down of slow-moving inventories to the consolidated income statement.

9. FINANCE COSTS

	2007 *HK$'000*	2006 *HK$'000*
Loan notes:		
Interest payable	375	376
Amortisation of premium	972	972
Total finance costs	1,347	1,348

10. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(i) Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

2007

	Directors' fees *HK$'000*	Basic salaries *HK$'000*	Allowances and other benefits *HK$'000* *(Note)*	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
Executive Directors					
Leung Chung Ping, Owen[1]	158	90	–	5	253
Sum Pui Ying, Adrian[1]	158	1,135	364	28	1,685
Eav Yin[2]	74	537	542	–	1,153
Eav Ming Keong, Kinson[2]	74	279	288	6	647
Au Shiu Leung, Alex[3]	45	400	5	3	453
Non-Executive Director					
Leung Miu King, Marina[4]	158	–	–	–	158
Independent Non-Executive Directors					
Sit Kien Ping, Peter[5]	158	–	–	–	158
Lai Si Ming	210	–	–	–	210
Frank H. Miu[5]	158	–	–	–	158
Wong Wing Yue, Rosaline[6]	61	–	–	–	61
Lee Tat Cheung, Vincent[6]	61	–	–	–	61
	1,315	2,441	1,199	42	4,997

1. Mr. Leung Chung Ping, Owen and Mr. Sum Pui Ying, Adrian resigned as executive directors on 16th December 2006.
2. Mr. Eav Yin, and Mr. Eav Ming Keong, Kinson were appointed as executive directors on 22nd November 2006.
3. Mr. Au Shiu Leung, Alex was appointed as executive director on 11th January 2007.
4. Ms. Leung Miu King, Marina resigned as non-executive director on 16th December 2006.
5. Mr. Sit Kien Ping, Peter and Mr. Frank H. Miu resigned as independent non-executive directors on 16th December 2006.
6. Ms. Wong Wing Yue. Rosaline and Mr. Lee Tat Cheung, Vincent were appointed as independent non-executive directors on 16th December 2006.

2006

	Directors' fees *HK$'000*	Basic salaries *HK$'000*	Allowances and other benefits *HK$'000* *(Note)*	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
Executive Directors					
Leung Chung Ping, Owen	210	126	–	7	343
Sum Pui Ying, Adrian	210	784	332	52	1,378
Non-Executive Director					
Leung Miu King, Marina	210	–	–	–	210
Independent Non-Executive Directors					
Sit Kien Ping, Peter	210	–	–	–	210
Lai Si Ming	210	–	–	–	210
Frank H. Miu	210	–	–	–	210
	1,260	910	332	59	2,561

Note: During the year, the Company paid HK$305,000 (2006: HK$290,000) for director's accommodation which is included in allowances and other benefits.

(ii) Individuals with highest emoluments

The five highest paid individuals for the year included one (2006: one) director, details of whose emoluments are set out above. The aggregate of the emoluments in respect of the remaining four (2006: four) individuals are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Salaries and benefits in kind	4,116	3,657
Performance related incentive payments	3,961	3,535
Retirement benefits contributions	33	90
Compensation for loss of office	721	–
	8,831	7,282

The emoluments of the four (2006: four) individuals were within the following bands:

	Number of individuals 2007	2006
Up to HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	–	1
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	2	1
	4	4

11. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2007	**2006**
	HK$'000	*HK$'000*
Current:		
Hong Kong	–	–
Outside Hong Kong	2,511	2,249
	2,511	2,249

Hong Kong profits tax is calculated at a rate of 17.5% (2006: 17.5%) of the estimated assessable profits for the year. No Hong Kong profits tax is provided because the assessable profits generated during the year are set off by the accumulated losses brought forward from previous years.

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

The charge for the year can be reconciled to the (loss)/profit in the consolidated income statement as follows:

	2007	**2006**
	HK$'000	*HK$'000*
(Loss) / profit before taxation	(47,283)	7,435
Notional tax on (loss) / profit before taxation, calculated at the tax rates applicable to profits in the countries concerned	(13,376)	2,603
Tax effect of non-deductible expenses	21,581	2,505
Tax effect of non-taxable income	(10,346)	(4,464)
Tax effect of unused tax losses not recognised	5,001	3,293
Tax effect of utilisation of previously unrecognised tax losses	(1,221)	(1,784)
Others	872	96
Actual tax expenses	2,511	2,249

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK$172,816,000 (2006: loss of HK$3,352,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The directors do not recommend payment of any dividend for the year ended 31st March 2007 (2006: Nil).

14. (LOSS) / EARNINGS PER SHARE

(a) Basic (loss) / earnings per share

The calculation of the basic (loss) / earnings per share attributable to the equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
(Loss) / profit for the year attributable to equity holders of the Company	(49,543)	5,414
	Number of shares	**Number of shares**
Weighted average number of ordinary shares	333,719,516	333,719,516

(b) Diluted (loss) / earnings per share

No disclosure of the diluted loss per share for the year under review as there is no dilutive potential ordinary shares. No disclosure of the diluted earnings per share for the corresponding previous year is shown as the issue of potential ordinary shares during the year from the exercise of the outstanding share options will be anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings HK$'000	Furniture, fixtures and fittings HK$'000	Leasehold improve-ments HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st April 2005						
Cost or valuation	14,750	1,006	14,005	8,422	308	38,491
Accumulated depreciation	(4,986)	(465)	(7,928)	(5,216)	(52)	(18,647)
Net book value	9,764	541	6,077	3,206	256	19,844
Year ended 31st March 2006						
Opening net book value	9,764	541	6,077	3,206	256	19,844
Translation differences	(394)	–	103	(41)	–	(332)
Additions	–	287	2,750	1,427	–	4,464
Write-off	–	–	(78)	(15)	–	(93)
Reclassification from investment properties *(Note 17)*	4,440	–	–	–	–	4,440
Reclassification from properties held for resale *(Note 15(d))*	3,080	–	–	–	–	3,080
Depreciation charge	(360)	(180)	(4,532)	(1,879)	(61)	(7,012)
Closing net book value	16,530	648	4,320	2,698	195	24,391
At 31st March 2006						
Cost or valuation	21,864	1,190	15,758	9,608	308	48,728
Accumulated depreciation	(5,334)	(542)	(11,438)	(6,910)	(113)	(24,337)
Net book value	16,530	648	4,320	2,698	195	24,391
Year ended 31st March 2007						
Opening net book value	16,530	648	4,320	2,698	195	24,391
Translation differences	348	(11)	162	113	–	612
Additions	–	160	5,482	1,849	–	7,491
Disposal of subsidiaries	–	(33)	–	(61)	–	(94)
Write-off	–	–	(310)	(15)	–	(325)
Impairment loss *(Note 15(e))*	–	(542)	(799)	(992)	(164)	(2,497)
Depreciation charge	(589)	(123)	(4,167)	(1,633)	(31)	(6,543)
Closing net book value	16,289	99	4,688	1,959	–	23,035
At 31st March 2007						
Cost or valuation	22,231	1,148	18,667	10,974	308	53,328
Accumulated depreciation	(5,942)	(1,049)	(13,979)	(9,015)	(308)	(30,293)
Net book value	16,289	99	4,688	1,959	–	23,035
As at 31st March 2007						
At cost	11,746	1,148	18,667	10,974	308	42,843
At valuation	10,485	–	–	–	–	10,485
	22,231	1,148	18,667	10,974	308	53,328
As at 31st March 2006						
At cost	11,379	1,190	15,758	9,608	308	38,243
At valuation	10,485	–	–	–	–	10,485
	21,864	1,190	15,758	9,608	308	48,728

(b) Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	2% or over the remaining terms of the leases, if shorter
Buildings	2–4%
Furniture, fixtures and fittings	15–20%
Leasehold improvements	5–50%
Machinery and equipment	20–50%
Motor vehicles	20%

(c) The Group's properties outside Hong Kong with carrying value of HK$92,000 (2006: HK$94,000) are registered under the name of other persons in trust for the Group.

Had the leasehold properties which were revalued been carried at cost less accumulated depreciation and accumulated impairment losses, the carrying value at 31st March 2007 would have been approximately HK$7,049,000 (2006: HK$7,279,000).

The carrying amount of land amounting to HK$833,000 (2006: HK$772,000) held by the Group as at 31st March 2007 represented freehold land outside Hong Kong.

(d) During the year ended 31st March 2006, certain properties held for resale had been reclassified as land and buildings. The reclassification was a result of the commencement of owner-occupation of the properties.

(e) During the year, the Group had streamlined those unsatisfactory operations. As a result, the Group assessed the recoverable amount of those assets. Based on this assessment, the carrying amount of the assets was written down by HK$2,497,000 and included under "Other expenses, net" in the consolidation income statement. The estimates of recoverable amount was based on the assets fair values less cost to sell, determined by reference to the recent observable market prices for similar assets within the same industry.

The analysis of the net book value of properties is as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
In Hong Kong		
Long-term leases	14,956	15,535
Outside Hong Kong		
Medium-term leases	730	730
Long-term leases	6,730	6,852
Freehold	16,716	15,495
	39,132	38,612

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Representing:		
Land and buildings carried at fair value	16,289	16,530
Investment properties carried at fair value	14,005	13,133
	30,294	29,663
Interest in leasehold land held for own use under operating leases	8,838	8,949
	39,132	38,612

16. PREPAID LEASE PAYMENTS

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1st April	8,949	3,302
Reclassification from properties held for resale	–	3,444
Reclassification from investment properties *(Note 17)*	–	2,360
Amortisation	(111)	(157)
At 31st March	8,838	8,949

The Group's prepaid lease payments comprise:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Long-term leases in Hong Kong	5,223	5,269
Long-term land use rights in the PRC	3,615	3,680
	8,838	8,949
Analysed for reporting purpose as:		
Current portion	110	110
Non-current portion	8,728	8,839
	8,838	8,949

During the year ended 31st March 2006, an investment property had been reclassified as prepaid lease payments amount of HK$2,360,000. The reclassification was a result of the commencement of owner-occupation of the property.

17. INVESTMENT PROPERTIES

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Valuation		
At 1st April	13,133	20,146
Translation differences	872	(941)
Reclassification to property, plant and equipment *(Note 15)*	–	(4,440)
Reclassification to prepaid lease payments *(Note 16)*	–	(2,360)
Increase in fair value during the year *(Note 17(b))*	–	728
At 31st March	14,005	13,133

The carrying amount of investment properties held by the Group at 31st March 2007 and 2006 comprises:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
In Hong Kong under long-term leases	1,335	1,335
Outside Hong Kong:		
Medium-term leases	730	730
Freehold	11,940	11,068
	14,005	13,133

Note:

(a) During the year ended 31st March 2006, an investment property had been reclassified as land and building and prepaid lease payments. The reclassification was a result of the commencement of owner-occupation of the property.

(b) The Group's investment properties are held for rental purposes under operating leases and were revalued by DTZ Debenham Tie Leung Limited and Pierre Berset s.a., firms of independent professional valuers who had experienced in the location and category of property being revalued at 31st March 2007 on an open market basis calculated by reference to net rental income allowing for reversionary income potential.

As at 31st March 2007, the carrying amount of investment properties approximated the fair value, no revaluation surplus is credited to the income statement. The surplus arising on revaluation of investment properties amounted to HK$728,000 and is credited to the consolidated income statement in the year ended 31st March 2006.

18. GOODWILL

	The Group *HK$'000*
Cost	
At 1st April 2005 and 31st March 2006	31,687
Eliminated on disposal of subsidiaries	(31,687)
At 31st March 2007	–
Accumulated impairment	
At 1st April 2005	28,426
Impairment loss recognised for the year	1,180
At 31st March 2006	29,606
At 1st April 2006	29,606
Impairment loss recognised for the year	2,081
Eliminated on disposal of subsidiaries	(31,687)
At 31st March 2007	–
Carrying amount	
At 31st March 2007	–
At 31st March 2006	2,081

During the year ended 31st March 2007, HK$2,081,000 (2006: HK$1,180,000) impairment loss on goodwill was recognised and included under "Other expenses, net" in the consolidated income statement. In December 2006, the subsidiaries, which the goodwill arisen from its acquisition, was disposed to the independent third party.

19. INTANGIBLE ASSETS

	Computer software *HK$'000*
The Group	
Cost	
At 1st April 2005 and 31st March 2006	281
Eliminated on disposal of a subsidiary	(281)
At 31st March 2007	–
Accumulated amortisation	
At 1st April 2005 and 31st March 2006	281
Eliminated on disposal of a subsidiary	(281)
At 31st March 2007	–
Net book value	
At 31st March 2007	–
At 31st March 2006	–

The amortisation period for computer software is one year. In December 2006, the subsidiary was disposed of, to an independent third party.

20. INTEREST IN SUBSIDIARIES

	The Company	
	2007 *HK$'000*	**2006** *HK$'000*
Unlisted shares, at cost	320,837	320,837
Impairment loss recognised	(320,837)	(320,837)
	–	–

Particulars of the Company's principal subsidiaries as at 31st March 2007 are as follows:

Name of subsidiary	Place of incorporation or establishment or registration/ operation	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
AC (Overseas) Limited	British Virgin Islands	HK$10,000	100%	–	Investment holding
Asia Commercial Company, Limited	Hong Kong	HK$10,000	–	100%	Investment holding & watch trading
Juvenia Montres S.A.	Switzerland	SFr.1,875,000	–	100%	Assembling and marketing of gold and jewellery watches
Asia Commercial Trading Limited	Hong Kong	HK$100	100%	–	Securities investment holding
Time City (Hong Kong) Limited	Hong Kong	HK$3,000,000	–	100%	Watch trading
Juvenia (Hong Kong) Company Limited	Hong Kong	HK$5,000,000	–	100%	Brand development & watch trading
Accord Watch & Jewellery (International) Limited	Hong Kong	HK$3,500,100	–	100%	Brand development & watch trading
Asia Commercial Property Holdings Limited	British Virgin Islands / Hong Kong	US$1	100%	–	Property holding and investment
上海冠亞鐘表有限公司	People's Republic of China*	RMB600,000	–	100%	Watch retailing and trading
Ming Biao Cheng Corporation	British Virgin Islands	US$1	–	100%	Watch retailing and trading

The above list includes the subsidiaries of the Company, which in the opinion of the directors, materially affected the results of the year or net assets of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in providing particulars of excessive length.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

* Registered under the laws of the People's Republic of China as a limited liability company.

21. AMOUNTS DUE FROM / (TO) SUBSIDIARIES

	The Company	
	2007	**2006**
	HK$'000	*HK$'000*
Amounts due from subsidiaries	776,720	769,031
Impairment loss recognised	(636,884)	(470,951)
	139,836	298,080

At 31st March 2007, the amounts due from subsidiaries were unsecured and repayable on demand. Except for an amount of approximately HK$18,565,000 (2006: HK$17,503,000) which interest at prevailing prime rate less 2%, the balances were non-interest bearing.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

During the year, the Group had streamlined those unsatisfactory operations. As a result, the directors of the Company estimated the recoverable amount of the amount due from subsidiaries, an impairment loss of HK$165,933,000 is recognised in income statement.

The carrying amount of the amounts due from / (to) subsidiaries as at 31st March 2007 approximated the fair value.

22. INTEREST IN AN ASSOCIATE

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Share of net assets	–	1,123

Particular of the Group's associate as at 31st March 2006 is as follows:

Name of associate	Place of registration and operation	Registered capital	Percentage of equity interest attributable to the Group	Principal activity
Shanghai Forward KBQuest Inc.	People's Republic of China	US$1,000,000	21%	Sale and design of computing software and related consultancy services

Financial information summary of the associate:

	Assets	Liabilities	Equity	Revenue	Loss
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
100 per cent.	–	–	–	–	–
Group effective interest	–	–	–	–	–
2006					
100 per cent.	2,314	(21)	2,293	–	(203)
Group effective interest	1,133	(10)	1,123	–	(100)

In December 2006, the associate, Shanghai Forward KBQuest Inc., was disposed to an independent third party.

23. AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Investments in		
Unlisted equity securities in Hong Kong	3,785	3,785
Club debentures	984	984
Impairment loss recognised in prior years	(4,339)	(3,785)
Impairment loss for the year	–	(554)
	430	430

The above investments in unlisted equity securities are measured at cost less impairment at each balance sheet. The aforesaid impairment losses were recognised before 1st April 2006.

The club debentures are measured at fair value. Fair value of the investment has been determined by reference to the bid price quoted in an active market.

24. 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 aging analysis of the trade receivables of HK$24,564,000 (2006: HK$23,065,000) which are included in the Group's trade receivables at the balance sheet date is as follows:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables				
Up to 90 days	23,932	21,247	–	–
91 to 180 days	565	1	–	–
Over 180 days	67	1,817	–	–
	24,564	23,065	–	–
Other receivables, deposits and prepayments	12,829	11,918	148	400
	37,393	34,983	148	400

The fair value of the Group's trade and other receivables, deposits and prepayments at 31st March 2007 approximated to the corresponding carrying amount.

The carrying amounts of trade receivables of the Group are mainly denominated in Renminbi.

During the year, the Group has made an impairment loss on trade receivables of HK$1,626,000 (2006: HK$ Nil). The impairment loss has been included in "Other expenses, net" in the consolidated income statement.

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	55,898	22,133	2,221	105
Short-term bank deposits	62,304	95,109	–	71,746
Cash and cash equivalents in the consolidated balance sheet and the consolidated cashflow statement	118,202	117,242	2,221	71,851

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	72,445	43,842	2,166	19,772
Renminbi	44,897	20,587	12	–
Others	860	52,813	43	52,079
	118,202	117,242	2,221	71,851

The effective interest rate on short-term bank deposits ranged from 3.2% to 5.2% (2006: 0.4% to 4.1%); these deposits have an average maturity from overnight up to one month (2006: overnight up to one month).

26. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

Included in trade and other payables and accrued charges are trade payables of HK$25,729,000 (2006: HK$16,389,000), the aging analysis of which at the balance sheet date is as follows:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables				
Up to 90 days	25,393	15,651	–	–
91 to 180 days	336	3	–	–
Over 180 days	–	735	–	–
	25,729	16,389	–	–
Other payables and accrued charges	49,701	47,183	3,150	3,046
	75,430	63,572	3,150	3,046

The fair value of the Group's trade and other payables, and accrued charges at 31st March 2007 approximated to the corresponding carrying amount.

The carrying amounts of trade payables of the Group are mainly denominated in Renminbi.

27. INCOME TAX PAYABLE IN THE CONSOLIDATED BALANCE SHEET

(a) Income tax payable in the consolidated balance sheet represents:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Provision for PRC Income Tax for the year	2,554	2,283
PRC Income Tax paid	(1,476)	(1,337)
	1,078	946

(b) Deferred tax assets not recognised

The Group has allowable tax losses arising in Hong Kong of approximately HK$323,000,000, which are mainly arisen prior to the capital restructuring in 1997, (2006: HK$306,000,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

28. LOAN NOTES

	The Group and the Company	
	2007	**2006**
	HK$'000	*HK$'000*
Swiss Francs 11,800,000 7/8% Loan Notes (the "Notes") due 2010, at par	61,912	61,912
Translation difference	724	–
	62,636	61,912
Premium on redemption at 17.375% of principal amount	9,881	8,909
Accrued interest	1,050	1,217
Interest paid during the year	(542)	(542)
	73,025	71,496

Pursuant to the original note agreement dated 31st January 1994, holders of the Notes had the right at any time on or before 8th February 2000 to convert all or some of the Notes into shares of the Company at the conversion price of HK$8.6 per share, subject to adjustment. Interest on the Notes was waived for a period of five years with effect from 23rd February 1996 to and including 22nd February 2001. The rate at which interest is charged on the Notes is 0.875% per annum for a period of nine years with effect from 23rd February 2001. Interest is accrued over the revised duration of the Notes so as to produce a constant periodic rate of charge for each accounting period.

There is 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 2008 at a redemption price of 117.375% of its principal amount together with interest accrued up to the date of redemption. As the holders of the Notes have the right to exercise the option and request the Company to redeem all the Notes on 23rd February 2008, the Notes have been re-classified from non-current to current liabilities at 31st March 2007.

The Company has the right, having given not less than 30 days and not more than 60 days' notice to the financial adviser in respect of the Notes, to redeem all, but not some only, of the Notes at par, together with interest accrued up to the date of redemption if the closing price of the Company's shares listed on The Stock Exchange of Hong Kong Limited, converted into US$ at the prevailing exchange rate, is at least 130% of the conversion price for 30 consecutive dealing days.

The directors considered that the carrying amount of the Notes at 31st March 2007 approximated their fair value.

29. SHARE CAPITAL

	The Group and the Company	
	Number of shares	Value
	'000	*HK$'000*
Ordinary shares of HK$1.00 each and reduced to HK$0.10 each on 28th March 2007		
Authorised:		
At 1st April 2005 and 2006	400,000	400,000
Capital reduction *(Note 29(a))*	–	(360,000)
Increase in authorised share capital *(Note 29(b))*	600,000	60,000
At 31st March 2007	1,000,000	100,000
Issued and fully paid:		
At 1st April 2005 and 2006	333,719	333,719
Capital reduction *(Note 29(a))*	–	(300,347)
At 31st March 2007	333,719	33,372

(a) Capital reduction

Pursuant to the resolutions passed at the Special General Meeting held on 28th March 2007, the issued share capital of the Company will be reduced by canceling the paid-up capital to the extent of HK$1.00 to HK$0.10 per share such that the authorised share capital of the Company is reduced from HK$400,000,000 to HK$40,000,000.

A credit of HK$300,347,564 arose and was transferred to the contributed surplus account of which HK$282,823,000 was applied to set off against the Company's accumulated losses. The remaining balance standing to the credit of the contributed surplus account may be utilised in the future in accordance with the Bye-Laws and the Companies Act, including distribution to the Shareholders subject to compliance with the relevant statutory requirements on making distributions in the Companies Act.

(b) Authorised share capital increase

Upon the capital reorganisation becoming effective and on the basis of the same number of shares in issue, the nominal value of the shares of the Company was adjusted from HK$1.00 to HK$0.10, and the authorised share capital of the Company was increased from the reduced amount of HK$40,000,000 to HK$100,000,000, by the creation of an additional 600,000,000 new shares to 1,000,000,000 shares, of which 333,719,516 shares were in issue then.

30. SHARE OPTION SCHEMES

1997 Share Option Scheme

The Company's 1997 Share Option Scheme was adopted pursuant to a resolution passed on 15th September 1997 and expired on 15th September 2000. The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2002 Share Option Scheme"), as approved by the shareholders of the Company at the special general meeting held on 20th September 2002. The details of the 2002 Share Option Scheme as pursuant to the Listing Rules, are set out in the Company's circular dated 30th July 2002.

During the year ended 31st March 2007, all the outstanding options under the Company's 1997 Share Option Scheme were lapsed or cancelled. No option was granted or exercised during the years ended 31st March 2007 and 2006. Details of the share options which were granted to the eligible employees under the 1997 Share Option Scheme are as follows:

				Number of Share Options		
	Date of grant	Exercise price	Exercise period	Outstanding as at 1st April 2006	Lapsed/ cancelled during the year	Outstanding as at 31st March 2007
Directors	24/09/1997	HK$1.00	24/09/1997-14/09/2007	6,000,000	(6,000,000)	–
Employees	24/09/1997	HK$1.00	24/09/1999-14/09/2007	1,200,000	(1,200,000)	–
				7,200,000	(7,200,000)	–

2002 Share Option Scheme

The purpose of the 2002 Share Option Scheme is to encourage qualifying grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Qualifying grantees of the 2002 Share Option Scheme means (i) any employee including officer and director or any business-related consultant, agent, representative or adviser of the Company or any subsidiary or any affiliate; or (ii) any supplier, agent or consultant who provide goods or services to the Company or any subsidiary or any affiliate; or (iii) any customer of the Company or any subsidiary or any affiliate; or (iv) any business ally or joint venture partner of the Company or any subsidiary or any affiliate.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10 per cent. of the shares in issue as at the date of the adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") provided that the Company may at any time as the Board of Directors of the Company may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not be exceed 10 per cent. of the shares in issue as at the date of approval by the shareholders of the Company in general meeting where such limit is refreshed. Options previously granted under the 2002 Share Option Scheme and any other scheme of the Company (including those outstanding, cancelled, and lapsed in accordance with the terms of the 2002 Share Option Scheme or any other scheme of the Company or exercised options under the said scheme) shall not be counted for the purpose of calculating the limit as refreshed. Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30 per cent. of the Shares in issue from time to time. As at the date of the annual report, a total of 33,371,951 shares (representing approximately 10 per cent. of the existing issued share capital of the Company) are available for issue under the 2002 Share Option Scheme and the 1997 Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the 2002 Share Option Scheme and any other option scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the total number of shares in issue.

The period within which an option may be exercised will be determined by the Board of Directors of the Company in its absolute discretion, save that no option may be exercised later than 10 years from the date on which the option is granted. Subject to the provisions of the 2002 Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the 2002 Share Option Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria conditions and the satisfactory performance. However the 2002 Share Option Scheme itself does not specify any minimum holding period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal value of HK$1.00 in total by the grantee. The exercise period of the share options granted is determined by the Board of Directors, and shall not exceed a period of ten years after the date of grant.

The subscription price in respect of any particular option under the 2002 Share Option Scheme shall be such price as the Board may at its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share; (b) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of options; and (c) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of options.

The 2002 Share Option Scheme will expire on 19th September 2012.

As at the balance sheet date, no share option has been granted under the 2002 Share Option Scheme since its adoption.

31. RESERVES

The Group

	Share premium *(Note (a))* *HK$'000*	Land and buildings revaluation reserve *(Note (b))* *HK$'000*	Exchange reserve *(Note (c))* *HK$'000*	Capital reserve *(Note (d))* *HK$'000*	Contributed surplus *(Note (e))* *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance at 1st April 2005	84	255	5,462	252,381	–	(422,772)	(164,590)
Excess depreciation on revalued properties	–	(13)	–	–	–	13	–
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	(4,894)	–	–	–	(4,894)
Profit for the year	–	–	–	–	–	5,414	5,414
Balance at 31st March 2006	84	242	568	252,381	–	(417,345)	(164,070)
Capital reduction *(Note 29(a))*	–	–	–	–	300,347	–	300,347
Transfer to set-off accumulated losses	–	–	–	–	(282,823)	282,823	–
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	94	–	–	–	94
Disposal of subsidiaries	–	–	(317)	–	–	–	(317)
Loss for the year	–	–	–	–	–	(49,543)	(49,543)
Balance at 31st March 2007	84	242	345	252,381	17,524	(184,065)	86,511

The Company

	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Note (e))	Accumulated losses HK$'000	Total HK$'000
Balance at 1st April 2005	84	–	(106,655)	(106,571)
Loss for the year	–	–	(3,352)	(3,352)
Balance at 31st March 2006	84	–	(110,007)	(109,923)
Balance at 1st April 2006	84	–	(110,007)	(109,923)
Capital reduction *(Note 29(a))*	–	300,347	–	300,347
Transfer to set-off accumulated losses *(Note 29(a))*	–	(282,823)	282,823	–
Loss for the year	–	–	(172,816)	(172,816)
Balance at 31st March 2007	84	17,524	–	17,608

Note:

(a) Share premium

The application of the share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended) (the "Companies Act").

(b) Land and buildings revaluation reserve

The revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for land and buildings in Note 3(e).

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 3(n).

(d) Capital reserve

The capital reserve was set up upon debt restructuring which will be used for the purpose of repurchase of issued and fully paid ordinary share capital.

(e) Contributed surplus

The contributed surplus of the Group represents the amount transferred from the capital account due to the capital reduction effective on 28th March 2007. The balance of the contributed surplus account may be utilised in the future in accordance with the Bye-Laws and the Companies Act, including distribution to the shareholders subject to compliance with the relevant statutory requirements on making distributions in the Companies Act.

32. RECONCILIATION OF (LOSS) / PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES

	2007	2006
	HK$'000	*HK$'000*
(Loss) / profit before taxation	(47,283)	7,435
Adjustments for:		
Write-down / (write-back) of slow-moving inventories	63,302	(414)
Reversal of impairment on properties held for resale	–	(294)
Impairment loss on goodwill	2,081	1,180
Impairment loss on interest in an associate	1,144	–
Impairment loss on trade and other receivables	4,293	–
Impairment loss on available-for-sale investments	–	554
Impairment loss on property, plant and equipment	2,497	–
Write off of property, plant and equipment	325	93
Bad debt written off	48	19
Surplus arising from valuation of investment properties	–	(728)
Profit on liquidation of a subsidiary	–	(5)
Profit on disposal of subsidiaries	(407)	–
Amortisation of premium on redemption of loan notes	972	972
Interest income from other than short-term bank deposits	(906)	(301)
Interest income from short-term bank deposits	(2,639)	(2,633)
Interest expenses	375	376
Depreciation	6,543	7,012
Amortisation of prepaid lease payments	111	157
Share of results of an associate	2	100
Operating profit before changes in working capital	30,458	13,523
Increase in inventories	(26,227)	(6,469)
(Increase) / decrease in trade and other receivables, deposits and prepayments	(7,909)	53
Increase / (decrease) in trade and other payables and accrued charges	6,791	(6,419)
Decrease in rental received in advance	(75)	(353)
Cash generated from operations	3,038	335
Overseas taxation paid	(2,379)	(1,577)
Net cash generated from / (used in) operating activities	659	(1,242)

33. NET CASH FLOW FROM LIQUIDATION OF SUBSIDIARY

During the year ended 31st March 2006, a subsidiary of the Group – Perch International Limited, which was incorporated in British Virgin Island, was voluntary winding up. The net liabilities of Perch International Limited at the date of liquidation were as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Trade and other payables and accrued charges	–	(5)
	–	(5)
Profit on liquidation of a subsidiary	–	5
	–	–
Satisfied by:		
Cash consideration received	–	–

34. NET CASH FLOW FROM DISPOSAL OF SUBSIDIARIES

The Group had equity interest of 54% in KBQuest Holdings Ltd and its subsidiaries (collectively KBQuest Group). The principal activities of KBQuest Group was providing programming services. During the year ended 31st March 2007, the Group had disposed the share of KBQuest Holdings Limited to an independent third party. The net liabilities of KBQuest Group at the date of disposal were as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Plant and equipment	94	–
Trade and other receivables, deposits and prepayments	958	–
Cash and bank balances	281	–
Trade and other payables and accrued charges	(1,323)	–
Amount due to group companies	(5,352)	–
Exchange reserve	(317)	–
	(5,659)	–
Waiver of current account	5,352	–
Profit on disposal of subsidiaries	407	–
	100	–
Satisfied by:		
Cash consideration received	100	–
Analysis of the net outflow of cash and cash equivalents in respect of disposal of subsidiaries:		
Cash consideration received	100	–
Cash and bank balances disposed of	(281)	–
	(181)	–

35. CONTINGENT LIABILITIES

At 31st March 2007, the Company had contingent liabilities as follows:

The Company was a nominal defendant with a limited role in a derivative action commenced in 2001 ("Action"). Pursuant to a Consent Order made on 5th January 2007, the Action was dismissed with no order as to costs and the outstanding costs, if any, granted by the Court were waived by all parties.

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.

36. RELATED PARTY TRANSACTIONS AND BALANCE

The following is a summary of the significant transactions and balance with a related party during the year and at year end.

(i) Summary of income item

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Consultancy services rendered to a substantial shareholder of the Company	100	263

(ii) The above amounts are included in the balance sheet of the Group and the Company as follows:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables *(Note)*	–	150	–	–

Note: As at 31st March 2007, the entire annual fee for the current maintenance services period has been received in accordance with the prevailing industry's practices.

The above transactions have been entered into on terms agreed by the parties concerned.

(iii) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid individuals as disclosed in Note 10, is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Short-term employee benefits	13,032	9,694
Post-employment benefits	75	149
Termination benefits	721	–
	13,828	9,843

37. PLEDGE OF ASSETS

At 31st March 2007, certain of the Group's investment properties and leasehold properties and prepaid lease payments with carrying value of HK$1,335,000 (2006: HK$1,335,000) and HK$7,923,000 (2006: HK$8,451,000) and HK$4,964,000 (2006: HK$5,007,000) respectively were pledged to secure the general banking facilities to the extent of HK$11,000,000.

38. OPERATING LEASE ARRANGEMENTS

As lessor

Property rental income earned during the year was HK$687,000 (2006: HK$964,000). As at 31st March 2007, the properties held have committed tenants for lease terms from 0.75 year to 1.17 years, whose tenancy agreements includes paying security deposits.

At 31st March 2007, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	619	701
In the second to fifth year inclusive	16	579
	635	1,280

As lessee

The Group leases certain of its office properties and retail outlets under operating lease arrangements. Leases for properties are negotiated for terms ranging from 0.5 year to 6.92 years. Certain rentals for the use of retail outlets are determined by reference to the revenue of the relevant outlets for the year and the rentals for certain retail outlets will be escalated by a fixed percentage per annum.

The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the following commitments.

At the balance sheet date, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	10,373	8,822
In the second to fifth year inclusive	13,555	6,475
	23,928	15,297

The Company had no operating lease arrangements at 31st March 2007 and 2006.

39. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The amount of unvested benefits utilized by the Group to reduce contributions is nil during the year (2006: Nil). The amount of unvested benefits available for future reduction of employer's contribution as at 31st March 2007 is approximately HK$4,000 (2006: HK$67,000).

40. FINANCIAL GUARANTEE CONTRACTS

At 31st March 2007, the Company had given corporate guarantee to a bank in connection with banking facilities granted to the Group amounting to HK$5,000,000. (2006: HK$5,000,000). The maximum liability of the Company under the guarantee issued amounting to HK$5,000,000. The directors considered that no recognition was made because the fair value of such guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

1. Statement of unaudited pro forma adjusted consolidated net tangible assets of the Group

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after the Open Offer is prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had taken place on 31st March 2007. The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group as at 31st March 2007 or any future date.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31st March 2007 as extracted from the audited consolidated balance sheet of the Group as at 31st March 2007, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31st March 2007	**Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	
Net tangible assets	119,883	104,782	224,665
Audited consolidated net tangible assets per Share as at 31st March 2007 and prior to the completion of the Open Offer *(Note 3)*			HK$0.359
Unaudited pro forma adjusted consolidated net tangible assets per Share upon completion of the Open Offer *(Note 4)*			HK$0.374

Notes:

1. The consolidated net tangible assets of the Group as at 31st March 2007 have been extracted from the audited consolidated financial statements of the Group as at 31st March 2007.

2. The estimated net proceeds from the Open Offer are based on the price of HK$0.40 per Offer Share and 266,975,612 Offer Shares (based on 333,719,516 Shares in issue as at the Latest Practicable Date) that are expected to be allotted and issued, after deducting the estimated expenses of approximately HK$2,008,000 directly attributable to the Open Offer. The net cash inflow is approximately HK$104,782,000.

3. The audited consolidated net tangible assets of the Group per Share prior to the completion of the Open Offer is calculated based on the 333,719,516 Shares in issue as at the Latest Practicable Date.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after the Open Offer is calculated based on 600,695,128 Shares in issue after the Open Offer (i.e. 333,719,516 Shares in issue as at the Latest Practicable Date and 266,975,612 Offer Shares in total).

2. Report on the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group

The following is the text of the report, prepared for the purpose of incorporation in this circular, from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants in connection with the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group:

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

13th August 2007

The Board of Directors
Asia Commercial Holdings Limited
19th Floor
9 Des Voeux Road West
Hong Kong

Dear Sirs,

We report on the statement of unaudited pro forma adjusted consolidated net tangible assets of Asia Commercial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out in Appendix II to the circular dated 13th August 2007 (the "Circular") in connection with the open offer on the basis of four offer shares for every five shares held (the "Open Offer"). The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company, for illustrative purpose only, to provide information on how the Open Offer might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma financial information is set out on pages 88 to 89 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom the reports were addressed by us at the dates of the issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31st March 2007 or any future date.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

3. Indebtedness and borrowings

As at 31st July 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$73,025,000 comprised of Swiss Francs 11.8 million 7/8% Loan Notes due 2010 inclusive of accrued interest and redemption premium and a banking facility of HK$5,000,000 secured by mortgages of certain Group properties.

4. Contingent liabilities

As at 31st July 2007, the Group had no material contingent liabilities.

5. Material adverse change

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March 2007, being the date to which the latest published audited financial statements of the Group were made up of.

6. Disclaimers

Save as aforesaid and apart from intra-Group liabilities, no companies within the Group had outstanding at the close of business on 31st July 2007 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, obligation under finance lease contracts, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31st March 2007.

7. Working capital

The Directors are of the opinion that, following the Open Offer, taking into account the financial resources available to the Group, including the estimated net proceeds from the Open Offer, the internally generated funds and the present available banking facilities and other loan facilities, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

8. Financial and Trading Prospects

The Company is an investment holding company. The principal activities of the Group include watch retailing and trading, property and securities investment and holding.

Turnover for the watch trading and retailing segment increased 12% from HK$330 million to HK$369 million for the year ended 31st March 2007. The introduction of the 20% consumption tax on luxury watches did not have significant effect on this part of the watch market in Mainland China as the sale of luxurious watches continue to increase with the growth of Mainland China's GDP and rising living standards. During the year new shops were opened in Beijing, Shanghai and Chengdu to expand the Time City retail network in Mainland China including new boutique shops for Blancpain.

The management are reviewing the operations in order to improve efficiency which will translate to cost savings and pass to the customers. Staff number for the watch trading and retail operations was reduced and efficiency improvement measures were adopted for the benefit of the Group in the long term.

The Group's own brands Accord and Juvenia incurred losses due to heavy advertising and promotion expenditure incurred. The Group continues to work with the major European brands which are popular amongst the Mainland China customers as well as introduction of new brands to the Mainland China market. It is the Group's intention to work closely with them to expand into the Mainland China market.

Following the change in management, the Group has undertaken a review of the business of the overseas operation. The Taiwan regional office of Juvenia was closed during year to allow the Group to focus on the Mainland China market. The Mainland China operations of Juvenia was substantially scaled down during the year. Significant write-down was therefore made against obsolete and slow-moving inventories during the year.

In December 2006, the Group disposed of its programming services so that the Group can concentrate its resources on the development of the core business of watch trading and retailing. The disposal resulted in a profit of approximately HK$0.4 million.

In the past few years there was increasing demand for high end imported watches in Mainland China which is expected to continue. The Group will take advantage of the strong demand to expand its network in Mainland China notwithstanding intense competition in this business.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and following completion of the Open Offer will be, as follows:

Authorised:		*HK$*
1,000,000,000		100,000,000.00
Issued and to be issued as fully paid:		
333,719,516	Shares in issue as at the Latest Practicable Date	33,371,951.60
266,975,612	Offer Shares to be issued pursuant to the Open Offer *(Note 1)*	26,697,561.20
600,695,128		60,069,512.80

Notes:

1 Based on 333,719,516 Shares in issue as at the Latest Practicable Date on the basis of four Offer Shares for every five existing Shares held. The Company will not issue any new Shares before the Record Date.

2 As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares

All the issued existing Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital. All the new Shares which will be in issue upon completion of the Open Offer will rank pari passu in all respects with the existing Shares in issue including as regards to all rights as to dividends, voting and return of capital.

The issued Shares are listed on the Stock Exchange. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

No share or loan capital of the Company or any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Nature of interest	Number of Shares interested	Number of underlying shares held under equity derivatives	Total	Percentage of issued share capital
					%
Mr. Eav	*Note*	458,831,719	–	458,831,719	137.49
Mr. Eav Ming Keong, Kinson	Personal	393,000	–	393,000	0.12

Note: Among the 458,831,719 Shares in which Mr. Eav is deemed to have interests under the SFO (a) 10,851,000 Shares are personal interest of Mr. Eav, (b) 447,000 Shares are held by Mdm. Lam Kim Phung (spouse of Mr. Eav), (c) 140,907,607 Shares by Century Hero International Limited, (d) 518,000 Shares by Debonair Company Limited, (e) 5,547,980 Shares by Goodideal Industrial Limited, (f) 708,520 Shares by Hexham International Limited, (g) 153,484,885 Offer Shares are still unissued as at the Latest Practicable Date but Mr. Eav is deemed to be interested in them pursuant to the Undertaking Letter and (h) 113,490,727 Offer Shares are still unissued as at the Latest Practicable Date but Mr. Eav is deemed to be interested in them by virtue of Eastern Rich Enterprises Limited's deemed interest therein pursuant to the Underwriting Agreement and (i) 32,876,000 Shares are held by Chanchhaya Trustee Holding Corporation (as trustee of Eav An Unit Trust). Century Hero International Limited, Debonair Limited, Hexham International Limited, Eastern Rich Enterprises Limited are wholly owned and Goodideal Industrial Limited is 87% owned by Mr. Eav. Eav An Unit Trust is a discretionary trust of which Mr. Eav is the founder, the beneficiaries include Mr. Eav, his wife and their children. Accordingly, Mr. Eav is deemed under the SFO to be interested in these Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the

SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executive of the Company) who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group and the amount of each of such persons' interest in such securities, together with particulars of any options in respect of such capital, if there are no such interests or short positions:

Name of shareholder	*Note*	**Number of Shares in the Company**	**Approximately percentage of issued share capital**
			%
Mdm. Lam Kim Phung	*1*	458,831,719	137.49
Century Hero International Limited	*2 & 6*	140,691,501	42.16
Eastern Rich Enterprises Limited	*2 & 6*	113,490,727	34.01
Mr. Leong Lou Teck	*3*	37,550,540#	11.25
Mr. Yap Han Hoe	*3*	37,508,000#	11.24
Galmare Investment Limited ("Galmare")	*3*	37,500,000#	11.24
Mr. Li Ka-Shing	*4*	17,767,259	5.32
Li Ka-Shing Unity Trustcorp Limited	*4*	17,767,259	5.32
Li Ka-Shing Unity Trustee Corporation Limited	*4*	17,767,259	5.32
Li Ka-Shing Unity Trustee Company Limited	*4*	17,767,259	5.32
Cheung Kong (Holdings) Limited ("CKH")	*4*	17,767,259	5.32
Ivory Limited	*4*	17,767,259	5.32
Ebony Limited	*4*	17,767,259	5.32
Borneo Limited ("Borneo")	*4*	17,767,259	5.32

Notes:

1. These Shares include 447,000 Shares held by Mdm. Lam Kim Phung and the remaining 458,384,719 Shares represent the interest held by Mr. Eav and spouse of Mdm. Lam Kim Phung whose interests are disclosed in the above section headed "Directors' interests".

2. Century Hero International Limited and Eastern Rich Enterprises Limited are both wholly owned by Mr. Eav, and the 113,490,727 Shares in which Eastern Rich Enterprises Limited is interested represents the Offer Shares underwritten pursuant to the Underwriting Agreement.

3. These shares include 37,500,000 Shares held through Galmare. Galmare is equally owned by Mr. Leong Lou Teck and Mr. Yap Han Hoe.

4. These shares refer to the same holding of 17,767,259 Shares held by Borneo. The entire issued share capital of Borneo is held by Ebony Limited, a wholly-owned subsidiary of Ivory Limited, which in turn is a wholly-owned subsidiary of CKH.

   Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

   Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") both held units in The Li Ka-Shing Unity Trust.

   Mr. Li Ka-Shing is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of them for the purpose of the SFO. The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the issued share capital.

   CKH, TUT1, TDT1, TDT2 and Mr. Li Ka-Shing were all deemed to be interested in these 17,767,259 Shares which were taken to be interested in by Borneo under the SFO.

   The capacity of the persons in which ordinary shares were held are set out as below:

   (i) Borneo holds the interests as beneficial owner;

   (ii) Ebony Limited, Ivory Limited and CKH hold the interests through interest of controlled corporation(s);

   (iii) TUT1 holds the interests as trustee;

   (iv) TDT1 and TDT2 hold the interests as trustee and beneficiary of trust; and

   (v) Mr. Li Ka-Shing holds the interests through interest of controlled corporations and as founder of discretionary trusts.

5. All the interests disclosed above represent long positions in the Shares of the Company.

6. Mr. Eav is a director of Century Hero International Limited and Eastern Rich Enterprises Limited.

These notifications were filed under the repealed Securities (Disclosure of Interests) Ordinance.

Save as disclosed, as at the Latest Practicable Date, the Directors or chief executive of the Company are not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group and the amount of each of such persons' interest in such securities, together with particulars of any options in respect of such capital, if there are no such interests or short positions.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company and its subsidiaries within the two years preceding the date of this circular and are or may be material:

– Underwriting Agreement; and

– Undertaking Letter

Save as the aforesaid, no material contracts (not being contracts entered into in the in the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the date of this circular which are or may be material.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries.

EXPERTS

The following sets out the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Hantec Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under Schedule 5 of the SFO
CCIF CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, Hantec Capital Limited and CCIF CPA Limited were not beneficially interested in the share capital of any member of the Group and none of them had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and none of them had any interest, either direct or indirect, in any assets which have been, since 31st March 2007 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Hantec Capital Limited and CCIF CPA Limited had given (and have not withdrawn) their written consents to the issue of this circular with inclusion of their letters prepared for inclusion in this circular, and references to their names in the form and context in which they are included.

PARTICULARS OF THE DIRECTORS

Name	Address
Executive Directors:	
Mr. Eav Yin (alias Duong Khai Nhon) *(Chairman)*	House 7, 8 Deep Water Bay Road, Hong Kong
Mr. Eav Ming Keong, Kinson	Flat 4C, Ridge Court, 21 Repulse Bay Road, Hong Kong
Mr. Au Shiu Leung, Alex	Flat 8A, 70 Sing Woo Road, Happy Valley, Hong Kong
Independent non-executive Directors:	
Mr. Lai Si Ming	3rd Floor, Golden Hill Commercial Building, 39-41 Argyle Street, Kowloon
Miss Wong Wing Yue, Rosaline	Room 701, New World Tower One, 18 Queen's Road Central, Hong Kong
Mr. Lee Tat Cheung, Vincent	Flat 3, 23rd Floor, Block A, Dragon Court, 6 Dragon Terrace, Hong Kong

Executive Directors

Mr. Eav Yin (alias Duong Khai Nhon), aged 68, is the founder of the Group and a member of Chaozhou Committee of Guangdong Province of the Chinese People's Political Consultative Conference (廣東省潮州市政協委員). Mr. Eav is a Cambodian Chinese and prior to his establishing of a Hong Kong company in 1968 as an importing agent for watch distribution business in Cambodia, had extensive experience of distributing watches in Cambodia and Vietnam.

Mr. Eav Ming Keong, Kinson, aged 32, holds a Bachelor of Arts degree in Interior Design and Technology and a Master of Arts degree in Art, Design and Visual Culture from the London Guildhall University. After graduation, Mr. Kinson Eav has practised in an architecture firm in London for 2 years. Mr. Kinson Eav is the son of Mr. Eav Yin.

Mr. Au Shiu Leung, Alex, aged 42, has held positions as chief financial officer and financial controller of certain Hong Kong listed companies. He was previously employed by the Company from 1995 to 1997 and was the company secretary from 1996 to 1997. Mr. Au is a member of The Institute of Chartered Accountants in England and Wales and an associate of The Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Commerce (Accounting) degree with honours from the University of Birmingham.

Independent Non-executive Directors

Mr. Lai Si Ming, aged 49, is a fellow member of the Hong Kong Institute of Surveyors and an associate member of the Royal Institution of Chartered Surveyors. Mr. Lai was elected as the Vice Chairman, General Practice Division of the Hong Kong Institute of

Surveyors during the years from 2001 to 2003. Mr. Lai has been practicing as a professional surveyor since 1983 and has considerable experience in the property field. Mr. Lai holds a master degree of Business Administration from Chinese University of Hong Kong.

Miss Wong Wing Yue, Rosaline, aged 37, graduated with LLB (Hons) at King's College, London University, UK in 1992, and was admitted to both the UK Bar (Middle Temple, UK) and the Hong Kong Bar in 1993. Miss Wong is a practicing barrister in Hong Kong.

Mr. Lee Tat Cheung, Vincent, aged 38, has over 16 years experience in accounting and auditing and is the sole proprietor of a firm of Certified Public Accountants practicing in Hong Kong. Mr. Lee is an associate member of The Institute of Chartered Accountants in England and Wales, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He holds a Master Degree in Corporate Finance from the Hong Kong Polytechnic University.

CORPORATE INFORMATION

Registered office	Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
Head office and principal place of business in Hong Kong	19th Floor, 9 Des Voeux Road West, Hong Kong
Company secretary	Mr. Au Shiu Leung, Alex, ACA AHKICPA who is also an Executive Director
Authorised representatives	Mr. Eav Ming Keong, Kinson Mr. Au Shiu Leung, Alex
Qualified accountant	Mr. Au Shiu Leung, Alex
Legal adviser as to Hong Kong law in relation to the Open Offer	Iu, Lai & Li, Solicitors & Notaries, 20th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong
Legal adviser as to Bermuda law in relation to the Open Offer	Appleby, Room 5511, The Center, 99 Queen's Road Central, Hong Kong
Principal share registrar and transfer office	Butterfield Fund Services (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong

Principal bankers	Bank of America, N.A. 42nd Floor Two International Finance Centre 8 Finance Street Central, Hong Kong
	Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
Auditors	CCIF CPA Limited 20/F, Sunning Plaza 10 Hysan Avenue Causeway Bay Hong Kong

GENERAL

(a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

(b) There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

(c) None of the Directors, proposed Directors or experts contained in this circular, has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the company or any of its subsidiaries since 31st March 2007, the date to which the latest published audited consolidated financial statements of the Company were made up.

(d) None of any part of the equity or debt securities of the Group is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought.

(e) Save as disclosed in this circular:

 (i) none of the Directors or the experts referred to in paragraph headed "Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole;

(ii) none of the Directors or the experts referred to in paragraph headed "Experts" of this Appendix has, as at the Latest Practicable Date, any direct or indirect interest in any assets which have been since 31st March 2007, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired, disposed of by or leased to, any member of the Group, or are proposed to be acquired, disposed of by or leased to, any member of the Group; and

(iii) the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries.

(f) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

(g) The expenses in connection with the Open Offer, including financial advisory fees, underwriting fee, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK$2,008,000 and are payable by the Company.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Iu, Lai and Li of 20th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including 30th August 2007 and at the SGM:

– the memorandum of association and bye-laws of the Company;

– the annual reports of the Company for the two years ended 31st March 2006 and 2007 respectively;

– the material contracts referred to in this Appendix;

– the letter from the Independent Board Committee as set out on page 22 of this circular;

– the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 35 of this circular;

– the letter from CCIF CPA Limited on the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group as set out in Appendix II to this circular;

– the written consents of the Independent Financial Adviser and CCIF CPA Limited referred to in paragraph headed "Experts" of this Appendix; and

– this circular.

ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

NOTICE IS HEREBY GIVEN that a special general meeting of Asia Commercial Holdings Limited (the "Company") will be held at Jasmine Room, 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong at 10:30 a.m. on 30th August 2007 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, all the Offer Shares (as defined below) to be allotted and issued to the shareholders of the Company (the "Shareholders") pursuant to the terms and conditions of the Open Offer (as defined below) and (ii) the Underwriting Agreement (as defined in the circular of the Company dated 13th August 2007) (the "Circular") becoming unconditional and not being terminated in accordance with its terms:

(a) the allotment and issue by way of open offer (the "Open Offer") of a total of 266,975,612 new ordinary shares of HK$0.10 each ("Shares") in the share capital of the Company to the Qualifying Shareholders (as defined in the Circular) whose names appear on the register of members of the Company at the close of business on the Record Date (as defined in the Circular, and being Thursday, 30th August 2007 or such other date as the Company may agree with the underwriter named in the Underwriting Agreement in writing for the determination of entitlements of the Shareholders under the Open Offer), in the proportion of four (4) Offer Shares for every five (5) existing Shares then held at the subscription price of HK$0.40 per Offer Share and on the terms and conditions as set out in the Circular be and is hereby approved;

(b) pursuant to Rule 7.26(A)(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the absence of arrangement for the Qualifying Shareholders to apply for those Offer Shares not taken up in excess of their entitlements under the Open Offer be and is hereby specifically approved;

* *For identification purposes only*

(c) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in accordance with the Open Offer and to make such exclusions or other arrangements in relation to Non-Qualifying Shareholders (as defined in the Circular) on the Record Date after making enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges for the Company's making the Open Offer to such Non-Qualifying Shareholders in compliance with the Listing Rules; and

(d) the Company's entry into the Underwriting Agreement and the transactions contemplated therein be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do such acts and things and execute such documents which in their opinion may be necessary, desirable or expedient to carry out or give effect to the Open Offer and the Underwriting Agreement and all the respective transactions contemplated thereunder."

By order of the Board
Asia Commercial Holdings Limited
Au Shiu Leung, Alex
Executive Director and Company Secretary

Hong Kong, 13th August 2007

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business:
19th Floor
9 Des Voeux Road West
Hong Kong

Notes:

1. A form of proxy to be used at the special general meeting is enclosed.

2. Any member of the Company entitled to attend and vote at the special general meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the special general meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which such instrument is to be used (as the case may be), and in default, the instrument of proxy shall not be treated as valid. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the special general meeting or poll concerned.

5. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose, seniority shall be determined by the order in which the names stand in the register.

6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.