



INTERIM REPORT 2010
ASIA COMMERCIAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 104)

FINANCIAL HIGHLIGHTS

	Six months ended 30th September 2010		Change
	HK\$'000	2009 <i>HK\$'000</i>	%
	(unaudited)	(unaudited)	
Operations			
Turnover	461,903	338,688	36%
Profit attributable to equity owners of the Company	37,554	17,616	113%
Earnings per share – Basic	1.25 HK cents	0.59 HK cents	112%
Earnings per share – Diluted	1.25 HK cents	0.59 HK cents	112%
	30th September 2010	31st March 2010	Change
	HK\$'000	<i>HK\$'000</i>	%
	(unaudited)	(audited)	
Financial position			
Total assets	690,678	520,351	33%
Shareholders' funds	459,870	404,379	14%

The Board of Directors (the "Board") of Asia Commercial Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial report of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2010 together with the comparative figures of the last corresponding period. The unaudited interim financial report has been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2010

		Six months ended	
		30th September	
		2010	2009
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Turnover	3	461,903	338,688
Cost of sales		(314,813)	(227,760)
Gross profit		147,090	110,928
Other revenue		15,696	10,862
Distribution costs		(104,504)	(86,425)
Administrative expenses		(17,118)	(15,273)
Profit from operations		41,164	20,092
Finance costs	4(a)	(103)	(13)
Profit before taxation	4	41,061	20,079
Income tax	5	(3,507)	(2,463)
Profit for the period		37,554	17,616
Attributable to			
Equity owners of the Company		37,554	17,616
Earnings per share	6		
Basic (HK cents)		1.25	0.59
Diluted (HK cents)		1.25	0.59

The notes on pages 7 to 18 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2010

	Six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	37,554	17,616
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	10,571	5,544
Total comprehensive income for the period	48,125	23,160
Attributable to equity owners of the Company	48,125	23,160

The notes on pages 7 to 18 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2010

		30th September 2010	31st March 2010
	<i>Notes</i>	HK\$'000 (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	12	25,427	25,329
Prepaid lease payments		3,956	3,987
Investment properties		71,359	70,185
Available-for-sale investments		4,192	4,192
		104,934	103,693
Current assets			
Inventories		327,064	291,139
Prepaid lease payments		62	62
Trade and other receivables	8	88,181	59,767
Cash and cash equivalents		170,437	65,690
		585,744	416,658
Current liabilities			
Trade and other payables	9	136,347	105,198
Income tax payable		1,967	752
		138,314	105,950
Net current assets		447,430	310,708
Total assets less current liabilities		552,364	414,401
Non-current liabilities			
Rental received in advance		2,305	2,343
Deferred tax liabilities		10,915	7,679
Convertible Notes	10	79,274	–
		92,494	10,022
Net assets		459,870	404,379
Equity			
Equity attributable to owners of the Company			
Share capital	11	60,070	60,070
Reserves		399,800	344,309
Total equity		459,870	404,379

The notes on pages 7 to 18 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30th September 2010

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Convertible Notes Equity reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	
Balance at 1st April 2009	60,070	77,991	33,420	11,125	252,381	-	17,524	(95,079)	357,432
Dividend paid (Note 7)	-	-	-	-	-	-	-	(6,007)	(6,007)
Total comprehensive income for the period	-	-	-	5,544	-	-	-	17,616	23,160
Balance at 30th September 2009	<u>60,070</u>	<u>77,991</u>	<u>33,420</u>	<u>16,669</u>	<u>252,381</u>	<u>-</u>	<u>17,524</u>	<u>(83,470)</u>	<u>374,585</u>
Balance at 1st April 2010	60,070	77,991	29,633	16,635	252,381	-	17,524	(49,855)	404,379
Dividend paid (Note 7)	-	-	-	-	-	-	-	(9,011)	(9,011)
Total comprehensive income for the period	-	-	-	10,571	-	-	-	37,554	48,125
Recognition of equity component of the convertible notes	-	-	-	-	-	16,377	-	-	16,377
Balance at 30th September 2010	<u>60,070</u>	<u>77,991</u>	<u>29,633</u>	<u>27,206</u>	<u>252,381</u>	<u>16,377</u>	<u>17,524</u>	<u>(21,312)</u>	<u>459,870</u>

The notes on pages 7 to 18 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30th September 2010*

	Six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	20,865	(5,632)
Net cash used in investing activities	(6,805)	(4,324)
Net cash generated from/(used in) financing activities	89,773	(6,007)
Increase/(decrease) in cash and cash equivalents	103,833	(15,963)
Cash and cash equivalents at beginning of the period	65,690	49,571
Exchange differences on cash and cash equivalents	914	(81)
Cash and cash equivalents at the end of the period	170,437	33,527
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	170,437	33,527

The notes on pages 7 to 18 form part of this unaudited interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

1. GENERAL

The Group is principally engaged in trading and retailing of watches and property leasing.

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

The unaudited interim financial report is presented in thousand of units of Hong Kong dollars (HK\$'000), unless otherwise stated, and have been approved for issue by the Board of Directors on 25th November 2010.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The accounting policies adopted in the preparation of the unaudited interim financial report are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31st March 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as noted below:

HKFRS 1(Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
Amendments to HKFRS 5 included Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a subsidiary

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES** (Continued)

HKAS 39 Amendment	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Annual Improvements Project	Improvements to HKFRSs 2009
HK Interpretation 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the unaudited interim financial report.

3. TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 with effect from 1st April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operation decision maker in order to allocate resources to the segment and assess its performance.

The Group's operating segments are: (i) sale of watches and (ii) properties leasing.

The following is an analysis of the Group's revenue, results, assets and liabilities by operating segment for the periods under review:

	For the six months ended 30th September 2010 (Unaudited)				
	Sale of watches	Properties leasing	Segmental total	Unallocated (Note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External revenue	460,545	1,358	461,903	-	461,903
Turnover	460,545	1,358	461,903	-	461,903
Operating profit	42,550	671	43,221	(2,277)	40,944
Interest income	220	-	220	-	220
Finance costs	-	-	-	(103)	(103)
Segment results	42,770	671	43,441	(2,380)	41,061
Income tax					(3,507)
Profit for the period					37,554
Depreciation and amortisation	7,491	225	7,716	51	7,767

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

3. TURNOVER AND SEGMENT INFORMATION (Continued)

	As at 30th September 2010 (Unaudited)				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated (Note) HK\$'000	Total HK\$'000
Segment assets	499,885	80,138	580,023	106,463	686,486
Available-for-sale investments	-	-	-	4,192	4,192
Total assets	<u>499,885</u>	<u>80,138</u>	<u>580,023</u>	<u>110,655</u>	<u>690,678</u>
Additions to non-current segment assets during the period	<u>7,017</u>	<u>7</u>	<u>7,024</u>	-	<u>7,024</u>
Segment liabilities	131,189	11,716	142,905	85,936	228,841
Income tax payable	1,967	-	1,967	-	1,967
Total liabilities	<u>133,156</u>	<u>11,716</u>	<u>144,872</u>	<u>85,936</u>	<u>230,808</u>

Note: Unallocated items mainly include (i) finance cost and corporate costs which cannot be meaningfully allocated to individual segment; and (ii) assets and liabilities that are not directly attributable to any reportable segment.

	For the six months ended 30th September 2009 (Unaudited)				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated (Note) HK\$'000	Total HK\$'000
External revenue	337,298	1,390	338,688	-	338,688
Turnover	<u>337,298</u>	<u>1,390</u>	<u>338,688</u>	-	<u>338,688</u>
Operating profit	24,737	741	25,478	(5,442)	20,036
Interest income	56	-	56	-	56
Finance costs	-	-	-	(13)	(13)
Segment results	<u>24,793</u>	<u>741</u>	<u>25,534</u>	<u>(5,455)</u>	20,079
Income tax					(2,463)
Profit for the period					<u>17,616</u>
Depreciation and amortization	8,305	286	8,591	-	8,591

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**3. TURNOVER AND SEGMENT INFORMATION** (Continued)

	As at 31st March 2010 (Audited)				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated (Note) HK\$'000	Total HK\$'000
Segment assets	425,144	79,234	504,378	11,781	516,159
Available-for-sale investments	–	–	–	4,192	4,192
Total assets	425,144	79,234	504,378	15,973	520,351
Additions to non-current segment assets during the year	7,927	–	7,927	–	7,927
Segment liabilities	99,827	11,757	111,584	3,636	115,220
Income tax payable	752	–	752	–	752
Total liabilities	100,579	11,757	112,336	3,636	115,972

Note: Unallocated items mainly include (i) finance cost and corporate costs which cannot be meaningfully allocated to individual segment; and (ii) assets and liabilities that are not directly attributable to any reportable segment.

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**3. TURNOVER AND SEGMENT INFORMATION** (Continued)**Geographic Information**

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments, investment properties and available-for-sale investments. The geographical locations of non-current assets are based on the physical location of the asset under consideration.

	Revenues from external customers		Non-current assets	
	Six months ended		30th	
	30th September	2009	September	31st March
	2010	2009	2010	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China, excluding Hong Kong	397,413	289,875	21,464	20,579
Hong Kong (place of domicile)	64,435	48,522	60,580	61,507
Switzerland	54	136	22,890	21,607
Others*	1	155	-	-
	<u>461,903</u>	<u>338,688</u>	<u>104,934</u>	<u>103,693</u>

* Other included U.S.A.

Information about major customers

During the period, none of the Group's revenue was derived from transactions with individual external customers that amounted to 10 per cent or more of the Group's revenue.

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**4. PROFIT BEFORE TAXATION**

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

(a) Finance costs

	Six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest payable on loan notes	–	13
Interest payable on convertible notes	103	–
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	103	13
	<u>103</u>	<u>13</u>

(b) Other items

	Six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange loss	1,386	579
Amortisation of prepaid lease payments	31	33
Depreciation	7,736	8,558
Write back of inventories, net	(4,451)	(5,305)
Staff costs including directors' fees and emoluments	39,264	30,569
Cost of inventories recognised as expenses	314,813	227,760

5. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current:		
Hong Kong	–	–
Outside Hong Kong	3,507	2,463
	<hr/>	<hr/>
	3,507	2,463
	<u>3,507</u>	<u>2,463</u>

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**5. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT**

(Continued)

Hong Kong Profits Tax is calculated at a rate of 16.5% of the estimated assessable profit for the period. No Hong Kong Profits Tax is provided because the assessable profits generated during the period are set off by the accumulated tax losses brought forward from previous year.

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

6. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of the basic earnings per share attributable to the ordinary equity owners of the Company is based on the following data:

	Six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to the ordinary equity owners of the Company for the purpose of basic earnings per share	37,554	17,616
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share (before further adjustment)	600,695,128	600,695,128
Weighted average number of ordinary shares as adjusted for the effect of subdivision of shares (<i>note 11</i>)	3,003,475,640	3,003,475,640

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**6. EARNINGS PER SHARE** (Continued)**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity owners of the Company of HK\$37,657,000 (2009: HK\$17,616,000) and the weighted average number of ordinary shares of 3,016,590,395 shares (2009: 3,003,475,640 shares) calculated as follows:

Weighted average number of shares (diluted)

	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share (before further adjustment)	<u>600,695,128</u>	<u>600,695,128</u>
Weighted average number of ordinary shares as adjusted for the effect of subdivision of shares (<i>note 11</i>)	3,003,475,640	3,003,475,640
Effect of deemed issue of shares under the Company's convertible notes (adjusted for the effect of subdivision of shares) (<i>note 10</i>)	<u>13,114,755</u>	—
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	<u>3,016,590,395</u>	<u>3,003,475,640</u>

Profit attributable to ordinary equity owners of the Company (diluted)

	2010	2009
	HK\$'000	HK\$'000
Profit attributable to ordinary equity owners of the Company	37,554	17,616
After tax effect of effective interest on the liability component of convertible notes	<u>103</u>	—
Profit attributable to ordinary equity owners of the Company (diluted)	<u>37,657</u>	<u>17,616</u>

7. DIVIDENDS

The Board of Directors declared an interim dividend of 0.2 HK cents per share for the six months ended 30th September 2010 (2009: HK\$Nil).

On 24th September 2010, a dividend of 1.5 HK cents per share (before subdivision of shares as referred to in note 11) was paid to the shareholders as the final dividend for the year ended 31st March 2010 (2009: 1 HK cent per share).

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**8. TRADE AND OTHER RECEIVABLES**

Trade receivables are due within 90 days from the date of billing. Included in trade and other receivables are debtors with the following aging analysis:

	30th September 2010 HK\$'000 (unaudited)	31st March 2010 HK\$'000 (audited)
Trade receivables		
Up to 90 days	41,779	27,646
91 to 180 days	90	77
Over 180 days	245	639
	42,114	28,362
Allowance for doubtful debts	(54)	(62)
	42,060	28,300
Other receivables	10,143	2,748
Loans and receivables	52,203	31,048
Deposits and prepayments	35,978	28,719
	88,181	59,767

9. TRADE AND OTHER PAYABLES

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

	30th September 2010 HK\$'000 (unaudited)	31st March 2010 HK\$'000 (audited)
Trade payables		
Up to 90 days	35,899	19,370
91 to 180 days	-	14
Over 180 days	556	515
	36,455	19,899
Other payables and accrued charges	32,777	30,363
Deposits received	6,415	2,324
Other tax payables	60,700	52,612
Financial liabilities measured at amortised cost	136,347	105,198

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**10. CONVERTIBLE NOTES**

On 31st August 2010, the Company entered into a Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed, to procure Placees to subscribe for Convertible Notes issued by the Company in an aggregate principal amount of up to HK\$100,800,000 on a “best-efforts” basis. On 27th September 2010, the Company completed the Placing of HK\$100,800,000 Convertible Notes to independent Placees. The Convertible Notes carry interest at 3% per annum and the principal amounts of all Convertible Notes shall be due and repayable on the third anniversary of the date of issue. The Convertible Notes entitle their holders to convert their outstanding principal amounts into new Conversion Shares at the initial Conversion Price of HK\$0.84 per Conversion Share (subject to anti-dilutive adjustment). Pursuant to the terms and conditions of the Convertible Notes, the Conversion Price of the Convertible Notes was adjusted from HK\$0.84 per Conversion Share to HK\$0.168 per Subdivided Share as a result of the Share Subdivision (refer to note 11 for details). The above adjustment took effect from the close of business of Monday, 15th November 2010. The General Mandate (2009), which has not been used before the Placing Agreement, will be used for the allotment and issue of the Conversion Shares.

Subsequent to the end of the reporting period, 2 holders of the Convertible Notes converted an aggregate principal amount of HK\$19,500,000 into 116,071,424 ordinary shares (new Subdivided Shares of par value of HK\$0.02 each, refer to note 11 for details) of the Company.

The movement of the liability component of the Convertible Notes is set out as below:

	HK\$'000
Face value of the convertible notes issued	100,800
Equity component	(20,014)
Transaction cost	(1,615)
	<hr/>
Liability component on initial recognition	79,171
Interest expenses	103
	<hr/>
Liability component as at 30th September 2010	79,274
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The fair value of the liability component at the date of the issue of the convertible notes, included in the long-term borrowings, was calculated using a market interest rate for a similar instrument. The residual amount, representing the value of the equity conversion component, is included in the convertible notes equity reserve.

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**11. SHARE CAPITAL**

	Number of shares <i>'000</i> (unaudited)	Value <i>HK\$'000</i> (unaudited)
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April 2010 and 30th September 2010	1,000,000	100,000
Issued and fully paid:		
At 1st April 2010 and 30th September 2010	600,695	60,070

Subsequent to the end of the reporting period, on 18th October 2010, the Company proposed that each of the existing issued and unissued ordinary shares of par value of HK\$0.10 each in the share capital of the Company be subdivided into 5 Subdivided Shares of par value of HK\$0.02 each. The Share Subdivision was approved by the shareholders at the SGM held on 12th November 2010. The Share Subdivision was effective on 15th November 2010 and the Subdivided Shares were traded in board lots of 5,000 Subdivided Shares thereafter.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i> (unaudited)	Other fixed assets <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Net book value at 1st April 2009	8,580	24,732	33,312
Translation differences	489	346	835
Additions	–	4,380	4,380
Depreciation	(254)	(8,304)	(8,558)
Net book value at 30th September 2009	<u>8,815</u>	<u>21,154</u>	<u>29,969</u>
Net book value at 1st April 2010	8,004	17,325	25,329
Translation differences	393	417	810
Additions	–	7,024	7,024
Depreciation	(254)	(7,482)	(7,736)
Net book value at 30th September 2010	<u>8,143</u>	<u>17,284</u>	<u>25,427</u>

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)**13. RELATED PARTY TRANSACTIONS**

The following is a summary of the significant transactions with related parties during the period under review and as at the reporting date.

Key management personnel remuneration

	Six months ended 30th September 2010	
	HK\$'000	2009 HK\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	6,166	6,859

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

14. PLEDGE OF ASSETS

As at 30th September 2010, the Group's general banking facilities were secured by certain leasehold properties, prepaid lease payments and investment properties with carrying value of HK\$1,054,000 (31st March 2010: HK\$1,100,000), HK\$543,000 (31st March 2010: HK\$545,000) and HK\$48,650,000 (31st March 2010: HK\$48,650,000) respectively.

15. CONTINGENT LIABILITIES

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance 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.

16. SEASONALITY OF OPERATION

The Group's business in sale of watches and properties leasing has no specific seasonality factor.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period we continued to see strong growth in the luxury retail segment both in Hong Kong and Mainland China. The Group achieved turnover growth of 36% to HK\$462 million and Timecity's year on year same store sales growth averaged more than 30% for the period. Growth in expenses is well controlled and is in line with the growth in turnover. However, there is still room for improvement and the Group will strive for better control and utilisation. Operating profit before taxation for the period doubled to HK\$41 million from HK\$20 million of the corresponding period.

In Beijing, Timecity opened Timecity's fifth Vacheron Constantin boutique during the period. In Shanghai, we upgraded a Timecity POS into an Audemars Piguet and IWC boutique. This is also both Audemars Piguet's and Timecity first boutique in Shanghai. A new Tudor boutique was opened in Shenyang while several stores with below average performance were closed as part of the ongoing process of improving and rationalizing the operations of Timecity.

Timecity has invested to improve customer service. The Timecity website was completely revamped during the period and now gives customers updated with information and news about Timecity.

Financial Review

Results review

During the six months ended 30th September 2010, the Group recorded turnover of HK\$461,903,000 (2009: HK\$338,688,000) representing an increase of 36% (2009: 2%) over the corresponding period of last year. The increase was mainly attributable to sales growth from the POSs in Mainland China as compared with the prior reporting period.

Distribution costs increased by 21% to HK\$104,504,000 mainly due to the increase in staff expenses, entertainment expenses and rental expenses as a result of the increase in sales activities during the period under review. Administrative expenses increased by 12% from HK\$15,273,000 to HK\$17,118,000 because of the increase in bank charges as a result of the increase in sales turnover.

Liquidity and financial resources

As at 30th September 2010, the Group's total cash balance amounted to HK\$170,437,000 (31st March 2010: HK\$65,690,000). The increase was mainly due to the net proceeds of around HK\$99,000,000 received upon the issuance of the Company's Convertible Notes on 27th September 2010. Gearing ratio of the Group, expressed as a ratio of total borrowing over total equity, was 17% as at 30th September 2010 (31st March 2010: 0%).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Foreign exchange risks

The Group views its main currencies as Hong Kong dollars, Renminbi and Swiss Francs. The Group monitors its exposure to foreign exchange risks and, when it considers necessary and appropriate, will hedge its foreign exchange risks by using financial instruments.

Prospect

During the past two years, the economy in Mainland China recovered quickly to pre-financial tsunami level whilst other countries are still on the recovery path. Statistics show that in the ten months to October 2010, China is again the world's fourth largest importer of Swiss watches by value trailing behind Hong Kong, USA and France. It also has the highest year on year growth of Swiss watches imported by value for the same period. We see that this rising trend will continue in 2011 and, together with Quantitative Easing 2, lay the foundations for the stability for the global economy. This is positive for us as retail business is affected by both the economy and market sentiment.

Timecity's development plan for the coming years includes strengthening our network in the cities that we already have a presence such as Beijing, Hong Kong, Shanghai, Shenyang, Chengdu, Chongqing, etc and as well as expansion into second/third tier cities. Plans are in place to open Timecity's largest POS to date in one of the most popular shopping area in Beijing. In other cities, with the support of the major brands, steps to open both new brand boutiques and multi-brand POS are well under way.

Employees and Remuneration Policy

There were 507 employees in the Group as at 30th September 2010. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses, share awards and staff share options are offered to motivate employees.

CORPORATE GOVERNANCE

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

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the period ended 30th September 2010 except for the deviation from the code provision A.4.1 and those discussed below:

CORPORATE GOVERNANCE (Continued)

The Company was incorporated in Bermuda and enacted by private act, the Asia Commercial Holdings Limited Company Act, 1989 of Bermuda (the "1989 Act"). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the Bye-Laws.

As the Company is bound by the provision of the 1989 Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the Code. As such, a special resolution was passed at the special general meeting held on 28th March 2007 to amend the Bye-Laws of the Company so that, inter alia, (i) every director (save for a director holding office as Chairman or Managing Director) of the Company shall be subject to retirement by rotation at least once every three years; (ii) a director may be removed by an ordinary resolution in general meeting instead of a special resolution; (iii) any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office until the next following general meeting, instead of the next annual general meeting.

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

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

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

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

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE (Continued)**Compliance of the Model Code for Securities Transaction by Directors of Listed Issuers**

The Company has adopted a code for securities transactions by Directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

All Directors have confirmed that they complied with the required standards set out in the Code of Conduct throughout the period under review.

DISCLOSURE OF INTERESTS**Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures**

As at 30th September 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of the Listing Rules ("Listing Rules") were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number of ordinary shares of HK\$0.10 each held	Approximate percentage of aggregate interests to total issued share capital
Mr. Eav Yin	<i>Note</i>	346,764,261	57.73
Mr. Eav Ming Keong, Kinson	Personal	707,400	0.12

DISCLOSURE OF INTERESTS (Continued)**Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures** (Continued)*Long positions in shares of the Company (Continued)*

Note: Among the 346,764,261 shares in which Mr. Eav Yin is deemed to have interests under the SFO (a) 19,531,800 shares are personal interest of Mr. Eav Yin, (b) 804,600 shares are held by Mdm. Lam Kim Phung (spouse of Mr. Eav Yin), (c) 253,633,692 shares by Century Hero International Limited, (d) 932,400 shares by Debonair Company Limited, (e) 9,986,364 shares by Goodideal Industrial Limited, (f) 1,275,336 shares by Hexham International Limited, (g) 1,423,269 shares by Goodness Management Limited and (h) 59,176,800 shares by Chanchhaya Trustee Holding Corporation (as a trustee of Eav An Unit Trust). Century Hero International Limited, Debonair Company Limited, Hexham International Limited, and Goodness Management Limited are wholly owned and Goodideal Industrial Limited is 87% owned by Mr. Eav Yin. Eav An Unit Trust is a discretionary trust of which Mr. Eav Yin is the founder, the beneficiaries include Mr. Eav Yin, his wife and their children.

Save as disclosed herein, as at 30th September 2010, none of the Directors or chief executive of the Company had any interests or short positions 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code. In addition, save as disclosed above, none of the Directors or chief executive of the Company nor their spouses or children under 18 years of age had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Director's Rights to Acquire Shares or Debentures

Save as disclosed herein, at no time during the six months ended 30th September 2010, was the Company or any of its associated corporations a party to any arrangement to enable the Directors or chief executives to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or chief executives or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

DISCLOSURE OF INTERESTS (Continued)**Substantial Shareholders' Interests**

As at 30th September 2010, so far as is known to any Directors and chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register kept by the Company or required to be notified under Section 336 of the SFO:

Name of shareholder	<i>Notes</i>	Number of ordinary shares of HK\$0.10 each beneficial held	Approximate percentage of issued share capital %
Mdm. Lam Kim Phung	1	346,764,261	57.73
Century Hero International Limited	2	253,633,692	42.22
Chanchhaya Trustee Holding Corporation	3	59,176,800	9.85
Covenhills Limited	4	97,020,972	16.15

Notes:

1. These shares include 804,600 shares held by Mdm. Lam Kim Phung and the remaining 345,959,661 shares represent the interest held by Mr. Eav Yin, spouse of Mdm. Lam Kim Phung, whose interests are disclosed in the above section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures".
2. Century Hero International Limited is wholly owned by Mr. Eav Yin who is also a director of this company.
3. Chanchhaya Trustee Holding Corporation is the trustee of Eav An Unit Trust, a discretionary trust, the beneficiaries of which include Mr. Eav Yin, his wife and their children.
4. Covenhills Limited is owned equally by Mr. Leong Lou Teck, Mr. Leong Lum Thye, Miss Leong Yoke Kheng and Mr. Leong Siew Khuen.

All the interests disclosed above represent long positions in shares of the Company. Save as disclosed above, as at 30th September 2010, there was no other person (other than the Directors or chief executive of the Company) who was recorded in the register of the Company as having 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 provision of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

Interim Dividend

The Board of Directors declared an interim dividend of 0.2 HK cents per share for the six months ended 30th September 2010 (2009: HK\$Nil) and payable on or about 29th December 2010 to shareholders whose names appear on the Register of Members of the Company on 17th December 2010.

Closure of Register of Members

The register of members of the Company will be closed from 13th December 2010 to 17th December 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10th December 2010.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September 2010.

2002 Share Option Scheme

On 20th September 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "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 mean (i) any employee or any business-related consultant, agent, representative or advisor 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.

Refreshment of 2002 Share Option Scheme mandate limit (the "Refreshment") and amendment of rules of 2002 Share Option Scheme (the "Amendment") had been approved at the annual general meeting of the Company held on 26th August 2008.

OTHER INFORMATION (Continued)

2002 Share Option Scheme (Continued)

No option was granted, exercised, cancelled or lapsed during the six months ended 30th September 2010 and as at 30th September 2010, there were no outstanding option granted under the 2002 Share Option Scheme.

Share Award Plan 2010

On 13th September 2010, the shareholders of the Company approved the adoption of a share award plan (the "Share Award Plan 2010").

The Share Award Plan 2010 is a ten-year discretionary share award and ownership plan. It is primarily for encouraging or facilitating the holding of shares by those selected employees of the Group who, as determined by the Board, are eligible to participate in the plan and to whom new shares are or will be awarded. The Directors will make use of the plan to award new shares to those selected employees of the Group on suitable terms as incentives and rewards for their contribution to the Group.

No award was granted, exercised, cancelled or lapsed during the six months ended 30th September 2010 and as at 30th September 2010, there was no outstanding award granted under the Share Award Plan 2010.

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

Hong Kong, 25th November 2010