



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

Interim
Report
2011

FINANCIAL HIGHLIGHTS

	Six months ended 30th September 2011		Change %
	HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	
Operations			
Turnover	518,748	461,903	12.31%
Profit attributable to owners of the Company	23,217	37,554	(38.18)%
Earnings per share – Basic	0.69 HK cent	1.25 HK cents	(44.80)%
Earnings per share – Diluted	0.69 HK cent	1.25 HK cents	(44.80)%
	30th September 2011 HK\$'000 (unaudited)	31st March 2011 HK\$'000 (audited)	Change %
Financial position			
Total assets	912,519	789,079	15.64%
Shareholders' funds	603,668	553,942	8.98%

The Board of Directors (the “Board”) of Asia Commercial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2011 together with the comparative figures of the last corresponding period. The interim financial report has been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2011

	Notes	Six months ended 30th September 2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	518,748	461,903
Cost of sales		(353,137)	(314,813)
Gross profit		165,611	147,090
Valuation gains on investment properties		20,250	–
Other revenue		19,335	15,696
Distribution costs		(139,340)	(104,504)
Administrative expenses		(20,693)	(17,118)
Profit from operations		45,163	41,164
Finance costs	4(a)	(2,785)	(103)
Other expenses, net		(7,703)	–
Profit before taxation	4	34,675	41,061
Income tax	5	(11,458)	(3,507)
Profit for the period		23,217	37,554
Attributable to			
Owners of the Company		23,217	37,554
Earnings per share	6		
Basic (HK cents)		0.69	1.25
Diluted (HK cents)		0.69	1.25

The notes on pages 7 to 19 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2011

	Six months ended 30th September 2011		2010
	HK\$'000	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period	23,217		37,554
Other comprehensive income for the period			
Exchange differences on translation of financial statements of overseas subsidiaries	7,217		10,571
Total comprehensive income for the period	30,434		48,125
Attributable to owners of the Company	30,434		48,125

The notes on pages 7 to 19 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2011

	Notes	30th September 2011 HK\$'000 (unaudited)	31st March 2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	76,038	24,632
Prepaid lease payments		1,078	1,081
Investment properties		122,237	105,746
Available-for-sale investments		5,273	5,273
		204,626	136,732
Current assets			
Inventories		483,962	387,037
Prepaid lease payments		6	6
Trade and other receivables	8	157,451	108,941
Trade securities		8,576	15,843
Cash and cash equivalents		57,898	140,520
		707,893	652,347
Current liabilities			
Trade and other payables	9	206,426	153,540
Short term bank loans		45,323	5,938
Income tax payable		7,471	7,599
		259,220	167,077
Net current assets		448,673	485,270
Total assets less current liabilities		653,299	622,002
Non-current liabilities			
Rental received in advance		2,230	2,268
Deferred tax liabilities		18,178	16,097
Convertible Notes	10	29,223	49,695
		49,631	68,060
Net assets		603,668	553,942
Equity			
Equity attributable to owners of the Company			
Share capital	11	68,343	65,010
Reserves		535,325	488,932
Total equity		603,668	553,942

The notes on pages 7 to 19 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30th September 2011

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Convertible notes equity reserve HK\$'000	Fair value reserve HK\$'000	Retained earnings/ losses (accumulated) HK\$'000	Total HK\$'000
Balance as 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>17,524</u>	<u>-</u>	<u>16,377</u>	<u>-</u>	<u>(21,312)</u>	<u>459,870</u>
Balance at 1st April 2011	65,010	113,721	29,633	37,830	252,381	17,524	19	9,634	1,081	27,109	553,942
Dividend paid (note 7)	-	-	-	-	-	-	-	-	-	(6,834)	(6,834)
Total comprehensive income for the period	-	-	-	7,217	-	-	-	-	-	23,217	30,434
Transfer to share premium upon conversion of convertible notes	-	24,106	-	-	-	-	-	(5,448)	-	-	18,658
Deferred tax relating to conversion of convertible notes	-	-	-	-	-	-	-	899	-	-	899
Recognition of equity-settled share based payment expenses	-	-	-	-	-	-	3,236	-	-	-	3,236
Shares issued upon conversion of convertible notes	3,333	-	-	-	-	-	-	-	-	-	3,333
Balance at 30th September 2011	<u>68,343</u>	<u>137,827</u>	<u>29,633</u>	<u>45,047</u>	<u>252,381</u>	<u>17,524</u>	<u>3,255</u>	<u>5,085</u>	<u>1,081</u>	<u>43,492</u>	<u>603,668</u>

The notes on pages 7 to 19 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2011

	Six months ended 30th September 2011	
	HK\$'000	2010
	(unaudited)	<i>HK\$'000</i> (unaudited)
Net cash (used in)/generated from operating activities	(66,745)	20,865
Net cash used in investing activities	(55,104)	(6,805)
Net cash generated from financing activities	37,972	89,773
(Decrease)/increase in cash and cash equivalents	(83,877)	103,833
Cash and cash equivalents at beginning of the period	140,520	65,690
Exchange differences on cash and cash equivalents	1,255	914
Cash and cash equivalents at the end of the period	<u>57,898</u>	<u>170,437</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	<u>57,898</u>	<u>170,437</u>

The notes on pages 7 to 19 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 investment holding.

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 has been approved for issue by the Board of Directors on 29th November 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim financial report has 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 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as noted below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1(Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-Time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK (IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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 interim condensed consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

3. TURNOVER AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group. This information is reported to and regularly reviewed by the Board of Directors of the Company in order to allocate resources to the segment and assess its performance.

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

- (i) The sale of watches segment derives its revenue primarily from the manufacture and sale of various types of watches.
- (ii) The investment holding segment derives its revenue primarily from investment properties and securities.

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 2011 (Unaudited)				
	Sale of watches	Investment holding	Segmental total	Unallocated (Note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External revenue	517,103	1,645	518,748	-	518,748
Turnover	517,103	1,645	518,748	-	518,748
Operating profit	29,867	940	30,807	(6,072)	24,735
Valuation gain on investment properties	-	20,250	20,250	-	20,250
Interest income	177	-	177	1	178
Other expenses, net	-	(7,703)	(7,703)	-	(7,703)
Finance costs	(920)	-	(920)	(1,865)	(2,785)
Segment results	29,124	13,487	42,611	(7,936)	34,675
Income tax					(11,458)
Profit for the period					23,217
Depreciation and amortisation	7,640	232	7,872	3	7,875

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

3. TURNOVER AND SEGMENT INFORMATION (Continued)

As at 30th September 2011 (Unaudited)					
	Sale of watches HK\$'000	Investment holding HK\$'000	Segmental total HK\$'000	Unallocated (Note) HK\$'000	Total HK\$'000
Segment assets	757,181	134,023	891,204	16,042	907,246
Available-for-sale investments	-	-	-	5,273	5,273
Total assets	<u>757,181</u>	<u>134,023</u>	<u>891,204</u>	<u>21,315</u>	<u>912,519</u>
Additions to non-current segment assets during the period	<u>58,701</u>	<u>36</u>	<u>58,737</u>	-	<u>58,737</u>
Segment liabilities	234,223	25,280	259,503	41,877	301,380
Income tax payable	<u>6,013</u>	<u>1,458</u>	<u>7,471</u>	-	<u>7,471</u>
Total liabilities	<u>240,236</u>	<u>26,738</u>	<u>266,974</u>	<u>41,877</u>	<u>308,851</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 2010 (Unaudited)					
	Sale of watches HK\$'000	Investment holding HK\$'000	Segmental total HK\$'000	Unallocated (Note) HK\$'000	Total HK\$'000
External revenue	460,545	1,358	461,903	-	461,903
Turnover	<u>460,545</u>	<u>1,358</u>	<u>461,903</u>	-	<u>461,903</u>
Operating profit	42,550	671	43,221	(2,277)	40,944
Interest income	220	-	220	-	220
Finance costs	-	-	-	(103)	(103)
Segment results	<u>42,770</u>	<u>671</u>	<u>43,441</u>	<u>(2,380)</u>	41,061
Income tax					(3,507)
Profit for the period					<u>37,554</u>
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 31st March 2011 (Audited)				
	Sale of watches <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated (Note) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	579,696	124,770	704,466	79,340	783,806
Available-for-sale investments	–	–	–	5,273	5,273
Total assets	579,696	124,770	704,466	84,613	789,079
Additions to non-current segment assets during the year	14,999	20	15,019	–	15,019
Segment liabilities	150,310	21,922	172,232	55,306	227,538
Income tax payable	6,141	1,458	7,599	–	7,599
Total liabilities	156,451	23,380	179,831	55,306	235,137

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 and investment properties. 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 September 2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	30th September 2011 HK\$'000 (unaudited)	31st March 2011 HK\$'000 (audited)
The People's Republic of China, excluding Hong Kong	423,714	397,413	68,711	20,958
Hong Kong (place of domicile)	88,643	64,435	107,175	86,927
Switzerland	6,391	54	23,467	23,574
Others*	-	1	-	-
	<u>518,748</u>	<u>461,903</u>	<u>199,353</u>	<u>131,459</u>

* Others 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	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest payable on bank loans	920	–
Interest payable on convertible notes	1,865	103
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	2,785	103
	<hr/> <hr/>	<hr/> <hr/>

(b) Other items

	Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange loss	292	1,386
Amortisation of prepaid lease payments	3	31
Depreciation	7,872	7,736
Write back of inventories, net	(2,355)	(4,451)
Staff costs including directors' fees and emoluments	49,007	39,264
Cost of inventories recognised as expenses	353,137	314,813
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5. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current:		
Hong Kong	–	–
Outside Hong Kong	8,117	3,507
Deferred tax:		
Current period	3,341	–
	<hr/>	<hr/>
	11,458	3,507
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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 owners of the Company is based on the following data:

	Six months ended 30th September 2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	23,217	37,554
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share		
Issued ordinary shares at 1st April	3,250,499,442	600,695,128
Effect of subdivision of shares	–	2,402,780,512
Effect of conversion into shares from convertible notes	104,735,882	–
Weighted average number of ordinary shares for the purpose of basic earnings per share at 30th September	3,355,235,324	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 owners of the Company of HK\$25,082,000 (2010: HK\$37,657,000) and the weighted average number of ordinary shares of 3,541,544,848 shares (2010: 3,016,590,395 shares) calculated as follows:

Weighted average number of shares (diluted)

	Six months ended 30th September 2011	2010
	Number of shares (unaudited)	Number of shares (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share (before further adjustment)	<u>3,250,499,442</u>	<u>600,695,128</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,355,235,324	3,003,475,640
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	<u>186,309,524</u>	<u>13,114,755</u>
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	<u>3,541,544,848</u>	<u>3,016,590,395</u>

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

6. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

Profit attributable to owners of the Company (diluted)

	Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	23,217	37,554
After tax effect of effective interest on the liability component of convertible notes	1,865	103
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Profit attributable to owners of the Company (diluted)	25,082	37,657
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Diluted earnings per share is equal to the basic earnings per share for the period ended 30th September 2011 because the outstanding convertible notes and share options had an anti-dilutive effect on the basic earnings per share for the period ended 30th September 2011.

7. DIVIDENDS

The Directors resolved not to pay interim dividend for the six months ended 30th September 2011 (2010: 0.2 HK cent per share).

On 10th October 2011, a dividend of 0.2 HK cent per share was paid to the shareholders as the final dividend for the year ended 31st March 2011 (2010: 1.5 HK cents per share with nominal value of HK\$0.1 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 2011 HK\$'000 (unaudited)	31st March 2011 HK\$'000 (audited)
Trade receivables		
Up to 90 days	60,150	54,387
91 to 180 days	156	533
Over 180 days	288	233
	60,594	55,153
Allowance for doubtful debts	-	-
	60,594	55,153
Other receivables	6,487	5,112
Loans and receivables	67,081	60,265
Deposits and prepayments	90,370	48,676
	157,451	108,941

9. TRADE AND OTHER PAYABLES

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

	30th September 2011 HK\$'000 (unaudited)	31st March 2011 HK\$'000 (audited)
Trade payables		
Up to 90 days	45,555	35,463
91 to 180 days	936	296
Over 180 days	6,150	1,406
	52,641	37,165
Other payables and accrued charges	66,012	37,643
Deposits received	3,376	3,039
Other tax payables	84,397	75,693
Financial liabilities measured at amortised cost	206,426	153,540

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 (the "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 of HK\$0.10 each (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 of HK\$0.10 each to HK\$0.168 per subdivided share of HK\$0.02 each as a result of the Share Subdivision (refer to note 14 for details). The above adjustment took effect from the close of business of Monday, 15th November 2010.

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

	HK\$'000
Liability component as at 31st March 2011	49,695
Interest expenses	1,865
Payment of interest expenses	(345)
Transfer to share capital and share premium upon conversion of Convertible Notes	(21,992)
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Liability component as at 30th September 2011	29,223
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The fair value of the liability component at the date of the issue of the Convertible Notes 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\$0.02 each		
Authorised:		
At 1st April 2011 and 30th September 2011	5,000,000	100,000
Issued and fully paid:		
At 1st April 2011	3,250,500	65,010
Conversion of shares from convertible notes	166,666	3,333
As 30th September 2011, ordinary shares of HK\$0.02 each	3,417,166	68,343

Subsequent to the end of the last 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 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	8,143	17,284	25,427
Net book value at 1st April 2011	5,781	18,851	24,632
Translation differences	128	413	541
Additions	50,109	8,628	58,737
Depreciation	(1,314)	(6,558)	(7,872)
Net book value at 30th September 2011	54,704	21,334	76,038

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	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	7,166	6,166

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

14. SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

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"). 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.

15. PLEDGE OF ASSETS

As at 30th September 2011, the Group's general banking facilities were secured by certain leasehold properties, prepaid lease payments and investment properties with carrying value of HK\$50,027,000 (31st March 2011: HK\$1,008,000), HK\$537,000 (31st March 2011: HK\$540,000) and HK\$100,000,000 (31st March 2011: HK\$79,900,000) respectively.

16. 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.

17. SEASONALITY OF OPERATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Review

For the six months ended 30th September 2011, the Group's consolidated turnover amounted to HK\$518.7 million, representing an increase of 12% (2010: 36%) from HK\$461.9 million in the same period last year. The average same store sales for the reporting period increased 29% over the corresponding period when excluded existing flagship store in Beijing. The Group's operating profit before taxation for the period was HK\$34.7 million compared to HK\$41.1 million of the corresponding period. The Group recorded a valuation gain of HK\$20.3 million for the investment properties during the period (2010: Nil). During the reporting period, two operating activities adversely affected the Group's performance: (a) Dramatic scale down of our flagship store in Beijing due to refurbishment of shopping center. The store sale footage had drastically reduced from 965 sq.m. to 282 sq.m. (b) Initial high fixed cost incurred in preparing the opening of our new flagship store, Beijing Macau Center in Beijing. HK\$14 million fixed rent had been charged.

Distribution costs increased by 33% to HK\$139.3 million mainly due to the impact of the new flagship store as mentioned above. Administrative expenses increased by 21% from HK\$17.1 million to HK\$20.7 million due to the incurrence of share-based payment expenses in this period. Other expenses increased by HK\$7.7 million representing mainly an unrealised loss on investment in listed financial assets valued at fair value.

In order to manage the rising costs in Mainland China, the Group has taken initiatives in reviewing our operations and make efforts to optimise the utilisation of the Group's resources. We will speed up the opening of our new flagship store in Beijing and close down the stores that do not achieve reasonable returns on investment. The Group will fuel our growth with major European brands and through superior customer support services. These strategic moves are essential to the Group to maintain its competitiveness and profitability and to maximise shareholders' investment returns.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and financial resources

As at 30th September 2011, the Group's total cash balance amounted to HK\$57,898,000 (31st March 2011: HK\$140,520,000). The decrease was mainly due to the purchase of new office in Shanghai which amounted to HK\$49.1 million and increase in Group's inventories. Gearing ratio of the Group, expressed as a ratio of total borrowing over total equity, was 12% as at 30th September 2011 (31st March 2011: 10%). Short term bank loans were increased to HK\$45.3 million as a result of more points of sales were came into operation during the period.

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

Sales of luxury watches are being boosted by rising living standards and purchase power of consumers from Mainland China. The luxury watch market in Mainland China has been growing at a fast pace over the past 5 years, even after taking into account of the serious recession of 2008-09. The Group remains positive that the retail market of luxury watches in Mainland China has extensive room for long term growth.

The Group will continue to strengthen our presence in first tier cities through intensive organic growth as we penetrate deeper into existing markets by providing excellent customer services. The Group will also be seeking out promising new brands and exploring opportunities in second and third tier cities in Mainland China. Management is watchful of possible slowdown of retail market in luxury segment, and will accordingly continue to take a cautious and prudent approach in managing the Group's business and in assessing new investment opportunities.

Employees and Remuneration Policy

There were 524 employees in the Group as at 30th September 2011. 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 2011 except for the deviation from the code provision A.4.1 and those discussed below:

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

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

CORPORATE GOVERNANCE (Continued)

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.

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 2011, 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 and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares and underlying shares (if any) of HK\$0.02 each held	Approximate percentage of aggregate interests to total issued share capital %
Mr. Eav Yin	Note 1	1,815,551,305	53.13
Mr. Eav Ming Keong, Kinson	Note 2	11,037,000	0.32
Mr. Duong Ming Chi, Henry	Personal	10,224,000	0.30
Mr. Lai Si Ming	Note 3	1,250,000	0.04
Ms. Wong Wing Yue, Rosaline	Note 3	1,250,000	0.04
Mr. Lee Tat Cheung, Vincent	Note 3	1,250,000	0.04

DISCLOSURE OF INTERESTS (Continued)

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures (Continued)

Long positions in shares and underlying shares of the Company (Continued)

Note 1: Among the 1,815,551,305 shares in which Mr. Eav Yin is deemed to have interests under the SFO (a) 179,389,000 shares are personal interest of Mr. Eav Yin of which 10,000,000 shares are share options, (b) 4,023,000 shares are held by Mdm. Lam Kim Phung (spouse of Mr. Eav Yin), (c) 1,268,168,460 shares by Century Hero International Limited, (d) 4,662,000 shares by Debonair Company Limited, (e) 49,931,820 shares by Goodideal Industrial Limited, (f) 6,376,680 shares by Hexham International Limited, (g) 7,116,345 shares by Goodness Management Limited and (h) 295,884,000 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.

Note 2: Among the 11,037,000 shares in which Mr. Eav Ming Keong, Kinson is deemed to have interests under the SFO (a) 3,537,000 shares are personal interest of Mr. Eav Ming Keong, Kinson of which 7,500,000 shares are share options.

Note 3: Personal interests which are related to the share options held by the respective Directors.

Save as disclosed herein and in the section "2002 Share Option Scheme", as at 30th September 2011, 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 2011, was the Company or any of its associated corporations a party to any arrangement to enable the Directors or chief executive 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 executive 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 2011, 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	Notes	Number of ordinary shares and underlying shares (if any) of HK\$0.02 each held	Approximate percentage of issued share capital %
Mdm. Lam Kim Phung	1	1,815,551,305	53.13
Century Hero International Limited	2	1,268,168,460	37.11
Chanchhaya Trustee Holding Corporation	3	295,884,000	8.66
Covenhills Limited	4	485,104,860	14.20
Lei Shing Hong Investment Limited	5	235,098,000	6.88
Lei Shing Hong Capital Limited	5	235,098,000	6.88
Lei Shing Hong Limited	5	235,098,000	6.88
Lead Star Business Limited	5	235,098,000	6.88
Lau Yu Chak	5	235,098,000	6.88

Notes:

1. These shares include 4,023,000 shares held by Mdm. Lam Kim Phung and the remaining 1,811,528,305 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.
5. Lei Shing Hong Investment Limited is wholly owned by Lei Shing Hong Capital Limited which in turn is wholly owned by Lei Shing Hong Limited. Lei Shing Hong Limited is 36.57% owned by Lead Star Business Limited which in turn is wholly owned by Mr. Lau Yu Chak.

DISCLOSURE OF INTERESTS (Continued)

Substantial Shareholders' Interests (Continued)

All the interests disclosed above represent long positions in shares and underlying shares of the Company. Save as disclosed above, as at 30th September 2011, 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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities during the six months ended 30th September 2011.

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.

On 31st March 2011, the Company issued 146,800,000 share options to the qualifying grantees to subscribe for ordinary shares of HK\$0.02 each in the share capital of the Company under the 2002 Share Option Scheme, subject to acceptance by the grantees and other conditions being fulfilled.

OTHER INFORMATION (Continued)

2002 Share Option Scheme (Continued)

During the six months ended 30th September 2011, 20,700,000 share options were lapsed but no option was granted, exercised or cancelled during the period. There were 126,100,000 share options outstanding at 30th September 2011 (2010: Nil) with weighted average exercise price of HK\$0.394. The share options outstanding at 30th September 2011 had an exercise price of HK\$0.394 (2010: Nil) and a weighted average remaining contractual life of 9.5 years (2010: Nil).

Grantees	No. of share options outstanding at the beginning of the period	No. of share options granted during the period	No. of share options lapsed during the period	No. of shares acquired on exercise of share options during the period	No. of share options outstanding at period end	Date of grant	Period during which share options are vested	Period during which share options are exercisable	Exercise price per share
Directors									
Mr. Eav Yin	10,000,000	-	-	-	10,000,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Mr. Eav Ming Keong, Kinson	7,500,000	-	-	-	7,500,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Mr. Lai Si Ming	1,250,000	-	-	-	1,250,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Ms. Wong Wing Yue, Rosaline	1,250,000	-	-	-	1,250,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Mr. Lee Tat Cheung, Vincent	1,250,000	-	-	-	1,250,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Mr. Au Shiu Leung, Alex (resigned as Director on 7th July 2011)	6,500,000	-	(6,500,000)	-	-	31st March 2011	not applicable	not applicable	not applicable
	<u>27,750,000</u>	<u>-</u>	<u>(6,500,000)</u>	<u>-</u>	<u>21,250,000</u>				
Employees	119,050,000	-	(14,200,000)	-	104,850,000	31st March 2011	30th March 2012 to 30th March 2016	30th March 2012 to 30th March 2021	HK\$0.394
Total	<u>146,800,000</u>	<u>-</u>	<u>(20,700,000)</u>	<u>-</u>	<u>126,100,000</u>				

OTHER INFORMATION (Continued)

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 2011 and as at 30th September 2011, there were no outstanding award granted under the Share Award Plan 2010.

By Order of the Board
Asia Commercial Holdings Limited
Cheng Ka Chung
Company Secretary

Hong Kong, 29th November 2011