



ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008

FINANCIAL HIGHLIGHTS

	Six months ended 30th September		
	2008	2007	Change
	HK\$'000	HK\$'000	%
	(unaudited)	(unaudited)	
Operations			
Turnover	333,363	199,865	66.8
Profit attributable to equity shareholders of the Company	33,660	20,251	66.2
Earnings per share – Basic	5.60 HK cents	4.23 HK cents	32.4
Interim dividend per share	N/A	1 HK cent	N/A
	30th September 2008	31st March 2008	Change
	HK\$'000	HK\$'000	%
	(unaudited)	(audited)	
Financial position			
Total assets	480,693	437,932	9.8
Shareholders' funds	353,117	327,124	8.0

INTERIM RESULTS

The Board of Directors (the “Board”) of Asia Commercial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2008 together with the comparative figures of the last corresponding period. The interim financial results has been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2008

		Six months ended 30th September	
		2008	2007
	<i>Notes</i>	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Turnover	3	333,363	199,865
Cost of sales		(207,691)	(124,394)
Gross profit		125,672	75,471
Other revenue	4	8,732	7,003
Distribution costs		(80,242)	(48,574)
Administrative expenses		(18,808)	(13,088)
Other operating income, net		–	3,484
Profit from operations		35,354	24,296
Finance costs	5(a)	(13)	(673)
Other income/(expenses), net		69	(202)
Profit before taxation	5	35,410	23,421
Income tax	6	(1,750)	(3,170)
Profit for the period		33,660	20,251
Attributable to			
Equity shareholders of the Company		33,660	20,251
Earnings per share			
Basic (HK cents)	7	5.60	4.23
Dividends	8	–	6,007

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2008

		30th September 2008 HK\$'000 (unaudited)	31st March 2008 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment		31,935	23,801
Prepaid lease payments		4,547	4,583
Investment properties		59,265	60,579
Available-for-sale investments		2,180	2,180
		97,927	91,143
Current assets			
Inventories		283,376	201,313
Prepaid lease payments		71	71
Trade receivables, other receivables, deposits and prepayments	9	48,548	50,909
Cash and cash equivalents		50,771	94,496
		382,766	346,789
Current liabilities			
Trade payables, other payables and accrued charges	10	121,396	103,905
Income tax payable		809	1,500
		122,205	105,405
Net current assets		260,561	241,384
Total assets less current liabilities		358,488	332,527
Non-current liabilities			
Loan notes		2,916	2,910
Rental received in advance		2,455	2,493
		5,371	5,403
Net assets		353,117	327,124
Capital and reserves			
Share capital		60,070	60,070
Reserves		293,047	267,054
Total equity attributable to equity shareholders of the Company		353,117	327,124

Notes:

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 interim results are 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 10th December 2008.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim results 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 (“HKICPA”).

The preparation of the unaudited interim results 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 interim results are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st March 2008, except for the adoption of the new and revised HKFRSs as noted below:

HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new interpretations has no material financial impact on the Group’s results and financial position for the current or prior periods.

The Group has not early adopted the following new and revised HKFRSs relevant to the interim financial results that have been issued but are not yet effective for the financial year beginning on 1st April 2008. The Group is in the process of assessing their impact to the Group’s results and financial position.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Cost ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 13	Customer Loyalty Programmes ³
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – INT 16	Hedges of Net Investment in a Foreign Operation ⁴

¹ Effective for annual periods beginning on or after 1st January 2009.

² Effective for annual periods beginning on or after 1st July 2009.

³ Effective for annual periods beginning on or after 1st July 2008.

⁴ Effective for annual periods beginning on or after 1st October 2008.

3. TURNOVER AND SEGMENT INFORMATION

The Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

The Group's major operating business organised and managed is sales of watches.

a) *Business segment*

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

	Six months ended 30th September 2008		
	Sales of watches HK\$'000 (unaudited)	Others* HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Turnover			
External sales	<u>331,790</u>	<u>1,573</u>	<u>333,363</u>
Segment results	<u>42,157</u>	<u>(1,523)</u>	<u>40,634</u>
Unallocated operating expenses			<u>(5,489)</u>
Operating profit			35,145
Interest income			209
Finance costs			(13)
Other (expenses)/income, net			
– allocated	(496)	–	(496)
– unallocated			565
			<u>69</u>
Profit before taxation			35,410
Income tax			<u>(1,750)</u>
Profit for the period			<u>33,660</u>

* Others included property leasing income.

	Six months ended 30th September 2007		
	Sales of watches <i>HK\$'000</i> (unaudited)	Others* <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Turnover			
External sales	199,604	261	199,865
Segment results	27,769	(564)	27,205
Unallocated operating expenses			(4,759)
Operating profit			22,446
Interest income			1,850
Finance costs			(673)
Other expenses, net			
– allocated	(18)	–	(18)
– unallocated			(184)
			(202)
Profit before taxation			23,421
Income tax			(3,170)
Profit for the period			20,251

* Others included property leasing income.

b) Geographical segment

An analysis of the Group's turnover by geographical segment for the period under review and comparative information for the previous period is as follows:

	Six months ended 30th September	
	2008 <i>HK\$'000</i> (unaudited)	2007 <i>HK\$'000</i> (unaudited)
The People's Republic of China, excluding Hong Kong	279,776	197,984
Hong Kong	52,929	1,431
Switzerland	284	206
Others*	374	244
	333,363	199,865

* Others included U.S.A.

4. OTHER REVENUE

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income from short-term bank deposits	23	1,456
Other interest income	186	394
Total interest income on financial assets		
not at fair value through profit or loss	209	1,850
Customer services income and others	8,523	5,153
	<u>8,732</u>	<u>7,003</u>

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loan notes:		
Interest payable	13	187
Amortisation of premium	–	486
Total interest expense on financial liabilities		
not at fair value through profit or loss	13	673

(b) *Other items*

	Six months ended	
	30th September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange loss	722	42
Impairment loss on trade receivables and other receivables	–	2
Amortisation of prepaid lease payments	36	55
Depreciation	6,442	2,858
Fair value (gain)/loss on derivative financial instrument	(69)	207
Write back of inventories	(11,149)	(8,901)
Write-off of property, plant and equipment	–	18
Staff costs including directors' fees and emoluments	33,794	26,743
	<u>33,794</u>	<u>26,743</u>

6. **INCOME TAX**

	Six months ended	
	30th September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current:		
Hong Kong	–	–
Outside Hong Kong	1,750	3,170
	<u>1,750</u>	<u>3,170</u>

Hong Kong profits tax is calculated at a rate of 17.5% (2007: 17.5%) of the estimated assessable profit for the period. No Hong Kong profits tax is provided because the assessable profits generated during the period 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.

7. EARNINGS PER SHARE

(a) *Basic earnings per share*

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

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to the equity shareholders of the Company for the purpose of basic earnings per share	33,660	20,251
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	600,695,128	478,979,866

(b) *Diluted earnings per share*

No disclosure of the diluted earnings per share for the period under review and the corresponding previous period as there is no dilutive potential ordinary shares.

8. DIVIDENDS

The Directors resolved not to pay interim dividend for the six months ended 30th September 2008 (2007: 1 HK cent per share).

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved and paid during the period, of 1 HK cent per share	6,007	–
No interim dividend is proposed (2007 : 1 HK cent per share)	–	6,007

On 2nd September 2008, a dividend of 1 HK cent per share was paid to shareholders as the final dividend for the year ended 31st March 2008 (2007: HK\$Nil).

9. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade receivables, other receivables, deposits and prepayments are trade receivables, the aging analysis of which is as follows:

	30th September 2008 HK\$'000 (unaudited)	31st March 2008 HK\$'000 (audited)
Trade receivables		
Up to 90 days	25,415	30,658
91 to 180 days	29	55
Over 180 days	2,758	247
	<hr/>	<hr/>
	28,202	30,960
Allowance for doubtful debts	(8)	(8)
	<hr/>	<hr/>
	28,194	30,952
Other receivables and prepayments	8,638	8,841
Rental and utility deposits	11,716	11,116
	<hr/>	<hr/>
	48,548	50,909
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The carrying amounts of trade receivables, other receivables, deposits and prepayment at 30th September 2008 approximated their fair value.

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Included in trade payables, other payables and accrued charges are trade payables, the aging analysis of which is as follows:

	30th September 2008 HK\$'000 (unaudited)	31st March 2008 HK\$'000 (audited)
Trade payables		
Up to 90 days	48,629	39,791
91 to 180 days	–	–
Over 180 days	574	313
	<hr/>	<hr/>
	49,203	40,104
Other payables and accrued charges	32,217	22,888
Deposits received	1,574	2,003
Other tax payables	38,402	38,910
	<hr/>	<hr/>
	121,396	103,905
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The carrying amounts of trade payables, other payables and accrued charges at 30th September 2008 approximated their fair value.

11. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, on 1st December 2008 the Group mortgaged certain leasehold properties, prepaid lease payments and investment properties with carrying value of HK\$1,222,170, HK\$552,400 and HK\$44,100,000 as security for general banking facilities obtained.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover for the period increased by 67% compared with the previous corresponding period. Same store sales growth for the Group of 17% over the previous corresponding period. The increase was mainly attributable to the contribution from the new POSs opened after the previous reporting period in Shanghai, Shenyang, Hong Kong and the newly renovated Beijing flagship store which was reopened in August 2008 in time for the Beijing Olympics. A POS in Wenzhou was closed down due to poor performance and a new POS was opened in Shenyang thus the total number of POS in mainland China remained unchanged from that at 31st March 2008.

Gross profit was HK\$126 million, an increase of 67%. Overall gross profit margin remained stable as the watch retail business is highly competitive and affected by discounts offered to customers.

Profit attributable to shareholders increased to HK\$33 million and there was no significant change in the net margin percentage notwithstanding the increase in expenses and in line with the increase in sales.

Financial Review

Results review

During the six months ended 30th September 2008, the Group recorded turnover of HK\$333,363,000 (2007: HK\$199,865,000) representing an increase of 66.8% (2007: 27.7%) over the corresponding period of last year. The increase was attributable to the contribution from the new POSs compared with the prior reporting period.

Distribution costs increased by 65.2% to HK\$80,242,000 mainly due to increase in rental expenses and staff costs as several new POSs were opened during the period under review. Administrative expenses also rose 43.7% from HK\$13,088,000 to HK\$18,808,000.

Liquidity and financial resources

As at 30th September 2008, the Group's total cash balance amounted to HK\$50,771,000 (31st March 2008: HK\$94,496,000). The decrease was mainly due to additional inventories acquired for the opening of new POSs during the period. Gearing ratio of the Group, expressed as a ratio of total borrowing over total equity, was 1% as at 30th September 2008 (31st March 2008: 1%).

Foreign exchange risks

The Group views its main currencies as Hong Kong dollars, Renminbi and Swiss Francs. The exchange loss arisen on translation of the Group's liabilities has been alleviated by appreciation of the Renminbi during the period. 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.

Prospects

The global economic climate deteriorated significantly after the balance sheet date and affected the retail business in all global markets. The mainland China and Hong Kong markets are no exception and suffered from weak consumer confidence and lowered sales.

We have taken measures to strengthen the Group's operations in the present economic climate. We reviewed and improved control over merchandising and working capital utilization. Whilst we still continue to look for opportunities to expand our retail network, our strategy, in view of the uncertainties ahead, will be more prudent than before.

We have been fortunate in that our expansion to date has been funded entirely by internal resources and not by bank borrowings. The Group has obtained banking facilities but none was utilised as at the balance sheet date. The new banking facilities will provide the funding for the Group should good opportunities arrive.

On a more positive note, our new Shanghai flagship store located on Nanjingxilu and features Vacheron Constantin, Rolex, Breguet and other brands opened in October 2008 and its performance is satisfactory especially in light of the depressed global economy.

The outlook of the global economy remains uncertain in the near term because of the financial turmoil and economic growth is expected to slowdown. However, with the measures already in place, the Group is well positioned to continue in this environment.

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.

Pledge of Assets

As at 30th September 2008, the Group has no assets under pledge. As at 31st March 2008, the Group's general banking facilities were secured by certain leasehold properties, prepaid lease payments and investment properties with carrying value of HK\$1,283,000, HK\$556,000 and HK\$14,800,000.

Material Acquisitions or Disposals

Save as disclosed herein, there was no material acquisitions or disposals by the Group during the six months ended 30th September 2008.

Employees and Remuneration Policy

There were 534 employees in the Group as at 30th September 2008. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses 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 2008 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 future 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.

Compliance of the Model Code for Securities Transaction by Directors of Listed Issuers

All Directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the period under review.

OTHER INFORMATION

Interim Dividend

The Directors resolved not to pay interim dividend for the six months ended 30th September 2008 (2007: 1 HK cent per share).

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 2008.

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") has been approved at the annual general meeting of the Company held on 26th August 2008. Details of the Refreshment and the Amendment are contained in the circular to shareholders dated 1st August 2008.

No option was granted, exercised, cancelled or lapsed during the six months ended 30th September 2008 and as at 30th September 2008, there were no outstanding option granted under the 2002 Share Option Scheme.

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

Hong Kong, 10th December 2008

** For identification purpose only*

As at the date of this announcement, the Board comprises Mr. Eav Yin (Chairman), Mr. Eav Ming Keong, Kinson and Mr. Au Shiu Leung, Alex as executive directors, Mr. Lai Si Ming, Ms. Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent as independent non-executive directors.