



2006 INTERIM REPORT



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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Eav Yin (*alias Duong Khai Nhon*)
(*Chairman*)

Eav Ming Keong, Kinson
Leung Chung Ping, Owen
Sum Pui Ying, Adrian
(*Managing Director*)

Non-Executive Director

Leung Miu King, Marina

Independent Non-Executive Directors

Lai Si Ming
Sit Kien Ping, Peter
Frank H. Miu

AUDIT COMMITTEE

Lai Si Ming (*Committee Chairman*)
Sit Kien Ping, Peter
Frank H. Miu

REMUNERATION COMMITTEE

Frank H. Miu (*Committee Chairman*)
Lai Si Ming
Sit Kien Ping, Peter
Leung Miu King, Marina

QUALIFIED ACCOUNTANT

Sum Pui Ying, Adrian

AUTHORIZED REPRESENTATIVES

Sum Pui Ying, Adrian
Lam Yuen Kuk

COMPANY SECRETARY

Lam Yuen Kuk

AUDITORS

CCIF CPA Limited
Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

REGISTRARS

Butterfield Fund Services (Bermuda)
Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH REGISTRARS

Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A-D, 13th Floor
Hong Kong Industrial Building
444-452 Des Voeux Road West
Hong Kong

BANKERS

DBS Bank (Hong Kong) Limited
Wing Lung Bank Limited
Hang Seng Bank Limited
Bank of America, N.A.

COMPANY'S WEBSITE

www.asiacommercialholdings.com

STOCK CODE

Stock Exchange of Hong Kong: 104



CCIF

CCIF CPA LIMITED

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

INDEPENDENT REVIEW REPORT

To the Board of Directors of Asia Commercial Holdings Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 3 to 15.

Respective Responsibilities of Directors and Auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review Work Performed

We conducted our review in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review Conclusion

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2006.

CCIF CPA LIMITED

Certified Public Accountants

Chan Wai Dune, Charles

Practising Certificate Number P00712

Hong Kong, 14th December, 2006

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Board of Directors (the "Board") of Asia Commercial Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2006 with the comparative figures are set out as follows. The unaudited condensed consolidated interim financial statements have been reviewed with no disagreement by the Audit Committee of the Company and the Company's auditors, CCIF CPA Limited, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Condensed Consolidated Income Statement

		Six months ended	
		30th September,	
		2006	2005
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
TURNOVER	4	156,472	145,742
COST OF SALES		(100,636)	(89,931)
GROSS PROFIT		55,836	55,811
OTHER REVENUE	5	6,765	4,621
DISTRIBUTION COSTS		(54,186)	(48,542)
ADMINISTRATIVE EXPENSES		(11,784)	(4,879)
OTHER EXPENSES		(32,052)	(6,471)
OPERATING (LOSS)/ PROFIT		(35,421)	540
FINANCE COSTS	6	(673)	(675)
SHARE OF RESULTS OF AN ASSOCIATE		(2)	(21)
IMPAIRMENT LOSS ON INTEREST IN AN ASSOCIATE		(1,144)	-
LOSS BEFORE TAXATION	7	(37,240)	(156)
TAXATION	8	(581)	(517)
LOSS FOR THE PERIOD		(37,821)	(673)
ATTRIBUTABLE TO			
– EQUITY HOLDERS OF THE PARENT		(37,570)	(556)
– MINORITY INTERESTS		(251)	(117)
		(37,821)	(673)
LOSS PER SHARE	9		
Basic		(11.26 HKcents)	(0.17 HKcent)

The notes on pages 7 to 15 form an integral part of the unaudited condensed consolidated interim financial statements.

Condensed Consolidated Balance Sheet

	Notes	30th September, 2006 HK\$'000 (unaudited)	31st March, 2006 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment	10	21,001	24,391
Prepaid lease payments		8,776	8,839
Investment properties		13,591	13,133
Goodwill		-	2,081
Interest in an associate		-	1,123
Other asset	11	430	430
		43,798	49,997
Current Assets			
Inventories – goods for resale		94,927	106,295
Prepaid lease payments		115	110
Trade receivables	12	22,638	23,065
Other receivables, deposits and prepayments		14,136	11,918
Cash and cash equivalents		106,858	117,242
		238,674	258,630
Current Liabilities			
Trade payables	13	25,426	16,389
Other payables and accrued charges		47,916	47,183
Income tax payable		361	946
		73,703	64,518
Net Current Assets		164,971	194,112
Total Assets Less Current Liabilities		208,769	244,109
Non-current Liabilities			
Rental received in advance		2,606	2,643
Convertible notes		72,169	71,496
		74,775	74,139
Net Assets		133,994	169,970
CAPITAL AND RESERVES			
Share capital	14	333,719	333,719
Reserves		(199,725)	(164,070)
Equity attributable to			
Equity holders of the parent		133,994	169,649
Minority interests		-	321
Total Equity		133,994	169,970

The notes on pages 7 to 15 form an integral part of the unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent								Minority interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other property revaluation reserve HK\$'000	Currency translation reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
As at 1st April, 2006	333,719	84	242	568	252,381	(417,345)	169,649	321	169,970	
Translation difference recognized directly in equity	-	-	-	1,915	-	-	1,915	-	1,915	
Exchange adjustment	-	-	-	-	-	-	-	(70)	(70)	
Loss for the period	-	-	-	-	-	(37,570)	(37,570)	(251)	(37,821)	
Total recognized loss for the six months ended 30th September, 2006	-	-	-	1,915	-	(37,570)	(35,655)	(321)	(35,976)	
As at 30th September, 2006	333,719	84	242	2,483	252,381	(454,915)	133,994	-	133,994	
As at 1st April, 2005	333,719	84	255	5,462	252,381	(422,772)	169,129	531	169,660	
Translation difference recognized directly in equity	-	-	-	(3,586)	-	-	(3,586)	-	(3,586)	
Excess depreciation on revaluated properties	-	-	(6)	-	-	6	-	-	-	
Exchange adjustment	-	-	-	-	-	-	-	13	13	
Loss for the period	-	-	-	-	-	(556)	(556)	(117)	(673)	
Total recognized loss for the six months ended 30th September, 2005	-	-	(6)	(3,586)	-	(550)	(4,142)	(104)	(4,246)	
As at 30th September, 2005	333,719	84	249	1,876	252,381	(423,322)	164,987	427	165,414	

Condensed Consolidated Cash Flow Statement

	Six months ended 30th September, 2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(7,318)	(7,543)
NET CASH USED IN INVESTING ACTIVITIES	(2,601)	(2,069)
DECREASE IN CASH AND CASH EQUIVALENTS	(9,919)	(9,612)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	117,242	120,465
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(465)	179
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>106,858</u>	<u>111,032</u>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

Asia Commercial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in trading and retailing of watches, holding of properties and sale and design of contract software programs.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its listing on The Stock Exchange of Hong Kong Limited ("The Stock Exchange").

These unaudited condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 14th December, 2006.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the HKICPA.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2006 annual financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are the same with those of the Group's annual financial statements for the year ended 31st March, 2006.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st March, 2007.

HKAS 19 (Amendment)	"Actuarial Gains and Losses, Group Plans and Disclosures" ¹
HKAS 21 (Amendment)	"Net Investment in a Foreign Operation" ¹
HKAS 39 (Amendment)	"Cash Flow Hedge Accounting of Forecast Intragroup Transactions" ¹ and "The Fair Value Option" ¹
HKAS 39 & HKFRS 4 (Amendment)	"Financial Guarantee Contracts" ¹
HKFRS 6	"Exploration for and Evaluation of Mineral Resources" ¹
HK (IFRIC) – INT 4	"Determining whether an Arrangement Contains a Lease" ¹
HK (IFRIC) – INT 5	"Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" ¹
HK (IFRIC) – INT 6	"Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment" ²
HK (IFRIC) – INT 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" ³

¹ Effective for annual periods beginning on or after 1st January, 2006

² Effective for annual periods beginning on or after 1st December, 2005

³ Effective for annual periods beginning on or after 1st March, 2006

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 6, HK (IFRIC) – INT 5, 6 and 7 were not applicable to the Group. The adoption of the rest of the new standards, amendments to standards and interpretations did not result in substantial changes to the Group's accounting policies.

The Group has not early adopted of the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	"Capital Disclosures" ¹
HKFRS 7	"Financial Instruments – Disclosures" ¹
HK (IFRIC) – INT 8	"Scope of HKFRS" ²
HK (IFRIC) – INT 9	"Reassessment of Embedded Derivatives" ³
HK (IFRIC) – INT 10	"Interim Financial Reporting and Impairment" ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st May, 2006

³ Effective for annual periods beginning on or after 1st June, 2006

⁴ Effective for annual periods beginning on or after 1st November, 2006

4. TURNOVER AND SEGMENT INFORMATION

a) Business Segment

The Group reports its primary segment information on its principal business segments and details for the six months ended 30th September, 2006 together with comparative figures for the previous period are as follows:

	Six months ended 30th September, 2006				
	Sales of watches HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Corporate HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Turnover					
- External sales	155,211	1,261	-	-	156,472
- Inter-segment sales	-	627	-	(627)	-
	<u>155,211</u>	<u>1,888</u>	<u>-</u>	<u>(627)</u>	<u>156,472</u>
Segment results	<u>(24,582)</u>	<u>(5,130)</u>	<u>(5,709)</u>	<u>-</u>	
Operating loss					(35,421)
Finance costs					(673)
Share of results of an associate	-	(2)	-	-	(2)
Impairment loss on interest in an associate	-	(1,144)	-	-	(1,144)
Loss before taxation					(37,240)
Taxation					(581)
Net loss for the period					<u>(37,821)</u>

4. TURNOVER AND SEGMENT INFORMATION (Continued)**a) Business Segment** (Continued)

	Six months ended 30th September, 2005				Consolidated HK\$'000 (unaudited)
	Sales of watches HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Corporate HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	
Turnover					
– External sales	144,085	1,657	–	–	145,742
– Inter-segment sales	–	788	–	(788)	–
	<u>144,085</u>	<u>2,445</u>	<u>–</u>	<u>(788)</u>	<u>145,742</u>
Segment results	<u>5,308</u>	<u>(1,476)</u>	<u>(3,292)</u>	<u>–</u>	
Operating profit					540
Finance costs					(675)
Share of results of an associate	–	(21)	–	–	(21)
Loss before taxation					(156)
Taxation					(517)
Net loss for the period					<u>(673)</u>

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,	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
The People's Republic of China excluding Hong Kong	152,419	141,757
Hong Kong	3,107	1,902
Others	946	2,083
	<u>156,472</u>	<u>145,742</u>

5. OTHER REVENUE

	Six months ended 30th September, 2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	1,969	1,236
Customer services income and others	4,796	3,385
	<u>6,765</u>	<u>4,621</u>

6. FINANCE COSTS

	Six months ended 30th September, 2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Convertible notes:		
Interest payable	187	189
Amortization of premium on redemption	486	486
Total borrowing costs	<u>673</u>	<u>675</u>

7. LOSS BEFORE TAXATION

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

	Six months ended 30th September, 2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Crediting:		
Net exchange gain	<u>1,533</u>	<u>1,164</u>
Charging:		
Allowances for bad and doubtful debts	1,662	19
Allowances for slow-moving inventories (Note 1)	38,977	6,372
Amortization on prepaid lease payments	58	78
Depreciation	3,631	3,579
Impairment loss on fixed assets	2,497	–
Impairment loss on goodwill	2,081	–
Write off of fixed assets	172	80
Staff cost excluding directors' fees and emoluments (Note 2)	<u>20,525</u>	<u>18,262</u>

7. LOSS BEFORE TAXATION (Continued)

Notes:

- (1) In September 2006, the Group decided to streamline the operation of Juvenia (Hong Kong) Company Limited and Accord Watch & Jewellery (International) Limited, both are wholly owned subsidiaries of the Group. The principal activity of those companies were brand development and watch trading. During the six months ended 30th September, 2006, an amount of HK\$25,863,000 allowances for slow-moving inventories was made and included under "Other Expenses" in the condensed consolidated income statement.
- (2) During the six months ended 30th September, 2006, the Group made HK\$2,622,000 compensation cost for departing staff and directors and included under "Administrative Expenses" in the condensed consolidated income statement.

8. TAXATION

	Six months ended 30th September, 2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)

The charge comprises:

Taxation in other jurisdictions of the Company
and its subsidiaries

581	517
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Hong Kong Profits Tax is calculated at a rate of 17.5% (2005: 17.5%) of the estimated assessable profit for the period. No Hong Kong Profits Tax is provided because the assessable profits generated during the period is set off by the taxable losses brought forward from previous year.

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

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

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the parent for the six months ended 30th September, 2006 and 2005 is based on the following data:

	Six months ended 30th September, 2006	2005
	(unaudited)	(unaudited)

Loss for the period attributable to ordinary
equity holders of the parent

HK\$37,570,000	HK\$556,000
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Weighted average number of ordinary shares

333,719,516	333,719,516
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The diluted loss per share for the period under review and the corresponding previous period is not shown as the issue of potential ordinary shares during both periods from the exercise of the outstanding share options will be anti-dilutive.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK\$'000 (unaudited)	Other fixed assets HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Net book values as at 1st April, 2005	13,066	10,080	23,146
Currency realignment	(388)	18	(370)
Additions	–	2,069	2,069
Written off	–	(80)	(80)
Depreciation	(241)	(3,338)	(3,579)
Net book values as at 30th September, 2005	<u>12,437</u>	<u>8,749</u>	<u>21,186</u>
Net book values as at 1st April, 2006	16,530	7,861	24,391
Currency realignment	184	125	309
Additions	–	2,601	2,601
Impairment	–	(2,497)	(2,497)
Written off	–	(172)	(172)
Depreciation	(358)	(3,273)	(3,631)
Net book values as at 30th September, 2006	<u>16,356</u>	<u>4,645</u>	<u>21,001</u>

11. OTHER ASSET

They represent clubs' memberships.

12. TRADE RECEIVABLES

The Group allows credit period of ranging from cash on delivery to 90 days to its trade debtors. The aging analysis of trade receivables is as follows:

	30th September, 2006 HK\$'000 (unaudited)	31st March, 2006 HK\$'000 (audited)
Current to 90 days	22,157	21,247
91 days to 180 days	38	1
Over 180 days	443	1,817
	<u>22,638</u>	<u>23,065</u>

The fair values of trade receivables approximate their carrying amounts.

13. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	30th September, 2006 HK\$'000 (unaudited)	31st March, 2006 HK\$'000 (audited)
Current to 90 days	24,958	15,651
91 days to 180 days	25	3
Over 180 days	443	735
	<u>25,426</u>	<u>16,389</u>

The fair values of trade payables approximate their carrying amounts.

14. SHARE CAPITAL

	Number of shares '000 (unaudited)	Value HK\$'000 (unaudited)
Ordinary shares of HK\$1 each		
Authorized:		
Balance as at 1st April, 2006 and 30th September, 2006	<u>400,000</u>	<u>400,000</u>
Issued and fully paid:		
Balance as at 1st April, 2006 and 30th September, 2006	<u>333,719</u>	<u>333,719</u>

15. OPERATING LEASE ARRANGEMENTS**As lessor**

The Group had total future minimum lease receivables under the non-cancellable operating leases with the tenants falling due as follows:

	30th September, 2006 HK\$'000 (unaudited)	31st March, 2006 HK\$'000 (audited)
Within one year	662	701
In the second to fifth years inclusive	272	579
	<u>934</u>	<u>1,280</u>

15. OPERATING LEASE ARRANGEMENTS (Continued)

As lessee

The Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	30th September, 2006 HK\$'000 (unaudited)	31st March, 2006 HK\$'000 (audited)
Within one year	13,139	8,822
In the second to fifth years inclusive	12,575	6,475
	<u>25,714</u>	<u>15,297</u>

16. CONTINGENT LIABILITIES

At 30th September, 2006, the Company had contingent liabilities as follows:

- (a) The Company has given corporate guarantees of HK\$11,000,000 (as at 31st March, 2006: HK\$11,000,000) to banks to secure general banking facilities granted to the Group. As at 30th September, 2006, bank guarantees given in lieu of utility deposit amounted to approximately HK\$404,000 (as at 31st March 2006: HK\$404,000). Except the aforesaid banking guarantees utilized during the period under review, the unutilized general banking facilities is of standby nature for potential business development of the Group's subsidiaries.
- (b) The Company is a nominal defendant of a derivative action brought by Galmare Investment Limited ("Galmare") with two executive directors on 27th April, 2001, suing on behalf of itself and all other shareholders, other than the executive directors. Galmare is seeking a declaration that the acquisition of the information technology business in May 2001 is not in the best interests of the Company or the Shareholders and other appropriate declarations or further ancillary reliefs. As the Company is only a nominal defendant to a derivative action (the "Action"), the role of the Company is limited i.e. not to take any active role in the proceedings and any damages recovered in such Action are paid to the Company directly. Pursuant to the Court Order made on 4th January, 2002 the Company is granted leave to dispense with the filing and service of a defence in relation to the Action. Further to the subsequent Court Orders made on 3rd and 4th September, 2003, the Company successfully denied the plaintiff's application to require the Company to indemnify their legal costs incurred in this Action. On 31st March, 2006, the 1st and 2nd defendants consented to the Court upon Galmare's request to join Miss Leung Miu King, Marina, who is the sister of the 1st defendant and the non-executive director of the Company, as the 4th defendant so as to assist the defence. Given such development has no effect on the role of the Company as nominal defendant and the Court's rejection to the plaintiff's application of the Company to indemnify the plaintiff's legal costs incurred in this Action, the Board of the Company expects to continue to incur the usual legal costs of participating in the Action and accordingly does not anticipate any significant adverse financial effect to the Company up to the date of this report.

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

Save as disclosed herein, so far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance and no litigation or claims which is, in the opinion of the Directors, of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

17. RELATED PARTY TRANSACTIONS AND BALANCES

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

- (1) Summary of income item

	Six months ended 30th September, 2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Consultancy services rendered to a substantial shareholder of the Company	<u>100</u>	<u>147</u>

- (2) The above amounts are included in the balance sheet of the Group as follows:

	30th September, 2006 HK\$'000 (unaudited)	31st March, 2006 HK\$'000 (audited)
Trade and other payables and accrued charges (<i>Note</i>)	<u>50</u>	<u>150</u>

Note: The entire annual fee for the current maintenance services period has been received in accordance with the prevailing industry's practices.

- (3) Key management personnel remuneration

	Six months ended 30th September, 2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Fees	630	600
Basic salaries, housing allowances, other allowances and benefits in kind	784	446
Retirement benefit costs	26	31
Compensation for loss of office	505	-
	<u>1,945</u>	<u>1,077</u>

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

18. POST BALANCE SHEET EVENTS

In September 2006, the Group decided to streamline the operation of Juvenia (Hong Kong) Company Limited, a wholly owned subsidiary of the Group. The principal activity of the company was brand development and watch trading. The compensation cost for departing staff of approximately HK\$527,000 was made for the six months ended 30th September, 2006. The actual layoff was carried out in November 2006.

In September 2006, the Group decided to streamline the operation of Accord Watch & Jewellery (International) Limited, a wholly owned subsidiary of the Group. The principal activity of the company was brand development and watch trading.

During the six months ended 30th September, 2006, an amount of HK\$25,863,000 allowances for slow-moving inventories was made for the above-mentioned streamlining of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group operates through its chain of retail shops "Time City" in the major cities of China, namely, Beijing, Shanghai, Shenyang, Chengdu and Xiamen including two specialized shops in Shanghai. The Group has in total more than thirty shops in China and turnover from sale of watches for the first six months of the fiscal year amounted to HK\$155,211,000 which is 7.7% higher than that for the same period last year despite the increase in competition in the luxury watches retailing.

New shops were opened during the period under review including shops in Shanghai, Tianjing, Xiamen and Beijing as the Group continued to strengthen its foothold in these markets. Two shops in Beijing and Chongqing were closed during the period. The Group will continue to monitor its market position and will take adjustments as appropriate.

Looking ahead, the Group plans to focus on the continuing development of "Time City" in China as its economy changes with increases in internal consumption.

Financial Review

Results review

During the six months ended 30th September, 2006, the Group recorded turnover of HK\$156,472,000 (2005: HK\$145,742,000) representing an increase of 7.4% (2005: 18.8%) over the corresponding period of last year. The increase was attributable to the increase in retail sales at the Group's retail chain "Time City" and from the Group's own brand of watches. Gross profit for the period was HK\$55,836,000 compared with HK\$55,811,000 of last year.

Distribution costs increased by 11.6% (2005: 16.4%) to HK\$54,186,000 (2005: HK\$48,542,000) due to heavy investment in marketing costs in promoting the Group's own brands and the increased sales volume. Administrative expenses rose substantially from HK\$4,879,000 to HK\$11,784,000 mainly due to compensation for departing staff and directors.

Due to the poor performance of the Group's own brand watches and programming service, additional provisions had to be made against the carrying values of their business assets while their operations are being streamlined resulting in loss attributable to equity holders of the parent of HK\$37,570,000 (2005: HK\$556,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Liquidity and Financial Resources

As at 30th September, 2006, the Group's total cash balance amounted to HK\$106,858,000 (31st March, 2006: HK\$117,242,000). Substantially all of the Group's cash was placed on bank deposits. The Group has no bank borrowing as at 30th September, 2006 except for the Swiss Francs 11,800,000 7/8% convertible notes issued on 22nd February, 1994. Gearing ratio of the Group, expressed as a ratio of total borrowing over total equity, was 53.9% as at 30th September, 2006 (31st March, 2006: 42.1%).

Foreign exchange risks

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

Contingent Liabilities

Details of contingent liabilities are set out in note 16 to the unaudited condensed consolidated interim financial statements.

Pledge of Assets

As at 30th September, 2006, certain of the Group's investment properties, leasehold properties and prepaid lease payments with carrying value of HK\$1,335,000 (as at 31st March, 2006: HK\$1,335,000), HK\$8,187,000 (as at 31st March, 2006: HK\$8,451,000) and HK\$4,986,000 (as at 31st March, 2006: HK\$5,007,000), respectively, were pledged to secure the general banking facilities to the extent of HK\$11,000,000.

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, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Employees and Remuneration Policy

There are 536 employees in the Group as at 30th September, 2006. 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.

Prospects

On 25th October, 2006, Century Hero International Limited, a company owned by Mr. Eav Yin, Chairman of the Company, acquired 75 million shares in the Company and became the single largest shareholder of the Company. Mr. Eav Yin and Mr. Eav Ming Keong, Kinson were appointed to the Board of Directors in November, 2006. The newly appointed Directors are currently reviewing the financial position and the operations of the Group with a view to developing the corporate strategy for the future. This may include restructuring its core and non-core business.

CORPORATE GOVERNANCE

In the opinion of the Directors of the Company, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period under review.

The Company is committed to implement good corporate governance practices and has established a Remuneration Committee in July 2005 and an Audit Committee in January 1999. The terms of reference of the aforesaid committees have been established and are placed on the Company's website. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30th September, 2006. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standard 700 issued by the HKICPA.

Compliance of the Model Code for Securities Transactions 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.

DISCLOSURE OF INTERESTS

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

As at 30th September, 2006, the interests and short positions of the Directors and chief executive of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures ordinance ("SFO")), as recorded in the register required to be kept by the Company 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 under Listing Rules ("Model Code") were as follows:

1. Long positions in shares of the Company

Name of Director	Number of shares held under personal interests	Number of underlying shares held under equity derivatives	Total	Approximately percentage of aggregate interests to total issued share capital
	Note 1	Note 2		%
Leung Chung Ping, Owen	20,000,000	3,000,000	23,000,000	6.89
Sum Pui Ying, Adrian	–	3,000,000	3,000,000	0.89

Note 1: These are held by the relevant director as beneficial owner.

Note 2: This represents interests in option held by the relevant directors as beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the options granted by the Company under the 1997 Share Option Scheme, details of which are set out in the section headed "**Share Option Schemes**".

2. Long positions in underlying shares of the Company

As at 30th September, 2006, the number of outstanding options granted by the Company under the 1997 Share Option Scheme to the directors to subscribe for shares of the Company, as recorded in the registrar required to be kept by the Company under Section 352 of the SFO was set out in the section headed "**Share Option Schemes**".

Save as disclosed herein, as at 30th September, 2006, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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.

DISCLOSURE OF INTERESTS (Continued)**Directors' Rights to Acquire Shares or Debentures**

Save as disclosed herein, at no time during the six months ended 30th September, 2006, 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.

Substantial Shareholders' Interests

As at 30th September, 2006 so far as is known to the Directors of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	<i>Notes</i>	Number of shares	Approximate percentage of issued share capital %
Leung Shu Wing	1&5	55,000,000 #	16.48
Kee Shing (Holdings) Limited ("Kee Shing")	1&5	55,000,000 #	16.48
Pacific Apex International Limited ("Pacific Apex")	1&5	55,000,000 #	16.48
Leong Lou Teck	2&5	37,550,540 #	11.25
Yap Han Hoe	2&5	37,508,000 #	11.24
Galmare Investment Limited ("Galmare")	2&5	37,500,000 #	11.24
Eav Yin	3	51,239,980 #	15.35
Eav An Unit Trust		32,876,000 #	9.85
Li Ka-Shing	4	17,767,259	5.32
Li Ka-Shing Unity Trustcorp Limited	4	17,767,259	5.32
Li Ka-Shing Unity Trustee Corporation Limited	4	17,767,259	5.32
Li Ka-Shing Unity Trustee Company Limited	4	17,767,259	5.32
Cheung Kong (Holdings) Limited ("CKH")	4	17,767,259	5.32
Ivory Limited	4	17,767,259	5.32
Ebony Limited	4	17,767,259	5.32
Borneo Limited ("Borneo")	4	17,767,259	5.32

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

1. These shares refer to the same holding of 55,000,000 shares held by Pacific Apex. Pacific Apex is a wholly-owned subsidiary of Kee Shing. Mr Leung Shu Wing is the chairman and controlling shareholder of Kee Shing.
2. These shares include 37,500,000 shares held through Galmare. Galmare is equally owned by Mr. Leong Lou Teck and Mr. Yap Han Hoe.
3. These shares include 32,876,000 shares held by the Eav An Unit Trust, a family trust, the beneficiaries of which include Mr. Eav Yin, his wife and their children.
4. These shares refer to the same holding of 17,767,259 shares held by Borneo. The entire issued share capital of Borneo is held by Ebony Limited, a wholly-owned subsidiary of Ivory Limited, which in turn is a wholly-owned subsidiary of CKH.

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

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

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

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

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

- (i) Borneo holds the interests as beneficial owner;
 - (ii) Ebony Limited, Ivory Limited and CKH hold the interests through interest of controlled corporation(s);
 - (iii) TUT1 holds the interests as trustee;
 - (iv) TDT1 and TDT2 holds the interests as trustee and beneficiary of trust; and
 - (v) Mr. Li Ka-Shing holds the interests through interest of controlled corporations and as founder of discretionary trusts.
5. Pursuant to a ruling by the Securities and Futures Commission dated 21st November, 1996, Kee Shing, Galmare and Mr. Leung Chung Ping, Owen ("Mr. Leung"), who is also a Director of the Company as at the date of this report, as parties acting in concert and on this basis, if taking into account of the 3,000,000 share options held by Mr. Leung, their aggregate long position in the shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the Company is approximately 115,500,000 shares, representing approximately 34.6% of the issued share capital of the Company.

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

OTHER INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2006 (30th September, 2005: Nil).

Purchase, Sale or Redemption of Shares

At no time during the six months ended 30th September, 2006 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of shares of the Company.

Share Option Schemes

The Company's 1997 Share Option Scheme was adopted pursuant to a resolution passed on 15th September, 1997 (the "1997 Share Option Scheme") and expired on 15th September, 2000. 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 means (i) any employee including officer and director or any business-related consultant, agent, representative or adviser of the Company or any subsidiary or any affiliate; or (ii) any supplier, agent or consultant who provide goods or services to the Company or any subsidiary or any affiliate; or (iii) any customer of the Company or any subsidiary or any affiliate; or (iv) any business ally or joint venture partner of the Company or any subsidiary or any affiliate.

As at 30th September, 2006, options to subscribe for a total of 7,200,000 option shares were still outstanding under the 1997 Share Option Scheme. No options have been granted under the 2002 Share Option Scheme.

OTHER INFORMATION (Continued)**Share Option Schemes** (Continued)

Details of the options, which have been granted under the 1997 Share Option Scheme are listed below in accordance with Rule 17.07 of the Listing Rules:

	Number of options held at 1/4/2006 and 30/9/2006	Exercise price	Grant/ Vested date	Exercise period
1. Directors				
Leung Chung Ping, Owen	3,000,000	HK\$1.00	24/9/1997	24/9/1997– 14/9/2007
Sum Pui Ying, Adrian	3,000,000	HK\$1.00	24/9/1997	24/9/1997– 14/9/2007
2. Continuous Contract Employees	1,200,000	HK\$1.00	24/9/1997	24/9/1999– 14/9/2007
	<hr style="width: 100px; margin: 0 auto;"/> 7,200,000 <hr style="width: 100px; margin: 0 auto;"/>			

No option was granted, exercised, cancelled or lapsed during the six months ended 30th September, 2006.

In the opinion of the Board, any valuation of the options granted based on any option pricing model is not appropriate and meaningful to the shareholders, taking into account of number of variables which are crucial for the calculation of the option value which have not been determined.

The options granted are exercisable in accordance with the terms and restrictions in the respective offer letters.

Express of Gratitude

The Board would like to take this opportunity to express its profound gratitude to all staff members, shareholders, bankers, customers, suppliers and professional bodies for the sincere support they have rendered to the Group to date.

By Order of the Board
Lam Yuen Kuk
Company Secretary

Hong Kong, 14th December, 2006