



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

**2009  
INTERIM  
REPORT**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30th September</b>		
	<b>2009</b>	2008	<b>Change</b>
	<b>HK\$'000</b>	HK\$'000	<b>%</b>
	<b>(unaudited)</b>	(unaudited)	
<hr/>			
<b>Operations</b>			
Turnover	<b>338,688</b>	333,363	<b>2</b>
Profit attributable to equity shareholders of the Company	<b>17,616</b>	33,660	<b>(48)</b>
Earnings per share – Basic	<b>2.93 HK cents</b>	5.60 HK cents	<b>(48)</b>
	<b>30th September 2009</b>	31st March 2009	<b>Change</b>
	<b>HK\$'000</b>	HK\$'000	<b>%</b>
	<b>(unaudited)</b>	(audited)	
<hr/>			
<b>Financial position</b>			
Total assets	<b>482,691</b>	461,827	<b>5</b>
Shareholders' funds	<b>374,585</b>	357,432	<b>5</b>

The Board of Directors (the "Board") of Asia Commercial Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial report of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2009 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 2009

		<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2009</b>	2008
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Turnover</b>	3	<b>338,688</b>	333,363
Cost of sales		<b>(227,760)</b>	(207,691)
<b>Gross profit</b>		<b>110,928</b>	125,672
Other revenue	4	<b>10,862</b>	8,732
Distribution costs		<b>(86,425)</b>	(80,242)
Administrative expenses		<b>(15,273)</b>	(18,808)
<b>Profit from operations</b>		<b>20,092</b>	35,354
Finance costs	5(a)	<b>(13)</b>	(13)
Other income		-	69
<b>Profit before taxation</b>	5	<b>20,079</b>	35,410
Income tax	6	<b>(2,463)</b>	(1,750)
<b>Profit for the period</b>		<b>17,616</b>	33,660
<b>Attributable to</b>			
Equity shareholders of the Company		<b>17,616</b>	33,660
<b>Earnings per share</b>	7		
Basic (HK cents)		<b>2.93</b>	5.60
Diluted (HK cents)		<b>2.93</b>	5.60

The notes on pages 7 to 17 form part of this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30th September 2009*

	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>17,616</b>	33,660
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>5,544</u>	<u>(1,660)</u>
<b>Total comprehensive income for the period</b>	<u><b>23,160</b></u>	<u>32,000</u>
<b>Attributable to equity shareholders of the Company</b>	<u><b>23,160</b></u>	<u>32,000</u>

The notes on pages 7 to 17 form part of this interim financial report.

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30th September 2009

		<b>30th September 2009</b>	31st March 2009
	Notes	<b>HK\$'000</b> <b>(unaudited)</b>	HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>29,969</b>	33,312
Prepaid lease payments		<b>4,241</b>	4,274
Investment properties		<b>57,675</b>	56,285
Available-for-sale investments	10	<b>2,180</b>	2,180
		<b>94,065</b>	96,051
<b>Current assets</b>			
Inventories		<b>300,404</b>	274,681
Prepaid lease payments		<b>67</b>	67
Trade receivables, other receivables, deposits and prepayments	11	<b>54,628</b>	41,457
Cash and cash equivalents		<b>33,527</b>	49,571
		<b>388,626</b>	365,776
<b>Current liabilities</b>			
Trade payables, other payables and accrued charges	12	<b>101,502</b>	98,798
Income tax payable		<b>1,313</b>	281
Loan notes		<b>2,911</b>	2,898
		<b>105,726</b>	101,977
<b>Net current assets</b>		<b>282,900</b>	263,799
<b>Total assets less current liabilities</b>		<b>376,965</b>	359,850
<b>Non-current liabilities</b>			
Rental received in advance		<b>2,380</b>	2,418
		<b>2,380</b>	2,418
<b>Net assets</b>		<b>374,585</b>	357,432
<b>Capital and reserves</b>			
Share capital	13	<b>60,070</b>	60,070
Reserves		<b>314,515</b>	297,362
<b>Total equity attributable to equity shareholders of the Company</b>		<b>374,585</b>	357,432

The notes on pages 7 to 17 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30th September 2009

	Attributable to equity shareholders of the Company							Total
	Share capital	Share premium	Revaluation reserve	Exchange reserve	Capital reserve	Contributed surplus	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st April 2008	60,070	77,991	31,562	16,359	252,381	17,524	(128,763)	327,124
Dividend paid (Note 8)	-	-	-	-	-	-	(6,007)	(6,007)
Total comprehensive income for the period	-	-	-	(1,660)	-	-	33,660	32,000
Balance at 30th September 2008	<u>60,070</u>	<u>77,991</u>	<u>31,562</u>	<u>14,699</u>	<u>252,381</u>	<u>17,524</u>	<u>(101,110)</u>	<u>353,117</u>
Balance at 1st April 2009	<b>60,070</b>	<b>77,991</b>	<b>33,420</b>	<b>11,125</b>	<b>252,381</b>	<b>17,524</b>	<b>(95,079)</b>	<b>357,432</b>
Dividend paid (Note 8)	-	-	-	-	-	-	(6,007)	(6,007)
Total comprehensive income for the period	-	-	-	5,544	-	-	17,616	23,160
Balance at 30th September 2009	<u><b>60,070</b></u>	<u><b>77,991</b></u>	<u><b>33,420</b></u>	<u><b>16,669</b></u>	<u><b>252,381</b></u>	<u><b>17,524</b></u>	<u><b>(83,470)</b></u>	<u><b>374,585</b></u>

The notes on pages 7 to 17 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th September 2009*

	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Net cash used in operating activities</b>	<b>(5,632)</b>	(23,362)
<b>Net cash used in investing activities</b>	<b>(4,324)</b>	(14,939)
<b>Net cash used in financing activities</b>	<b>(6,007)</b>	(6,007)
<b>Decrease in cash and cash equivalents</b>	<b>(15,963)</b>	(44,308)
<b>Cash and cash equivalents at beginning of the period</b>	<b>49,571</b>	94,496
<b>Exchange differences on cash and cash equivalents</b>	<b>(81)</b>	583
<b>Cash and cash equivalents at the end of the period</b>	<b><u>33,527</u></b>	<u>50,771</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and on hand	<b><u>33,527</u></b>	<u>50,771</u>

The notes on pages 7 to 17 form part of this interim financial report.

## NOTES TO THE INTERIM FINANCIAL REPORT

### 1. GENERAL

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

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

The 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 15th December 2009.

### 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 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 interim financial report are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31st March 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as noted below:

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2009 except for the amendment to HKFRS 5, "Non-current assets held for sale and discontinued operations" which is effective for annual periods beginning on or after 1st January 2010.

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

The principal effects of adopting these new and revised HKFRSs are as follows:

## (a) HKFRS 8 – Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geography) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

## (b) HKAS 1 (Revised) – Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owner, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expenses recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The Group has not early adopted any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for the annual periods beginning on 1st April 2009:

HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>2</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – INT 18	Transfers of Assets from Customers <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st February 2010.

<sup>3</sup> Effective for transfer of assets from customers received on or after 1st July 2009.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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

The Group has adopted HKFRS 8 with effect from 1st April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operation decision maker in order to allocate resources to the segment and assess its performance. In contrast, the predecessor Standard (HKAS 14) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as starting point for the identification of such segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In the past, the Group's primary reporting segment was business segments: (i) sale of watches and (ii) others (mainly comprises properties leasing). However, for the purpose of resources allocation and assessment of performance, the directors of the Group, are more focused on sale of watches and properties leasing segment which are also the Group's reportable segments under HKFRS 8.

Information regarding the above segments is presented below. Amounts reported for the prior period have been restated to conform to the requirement of HKFRS 8.

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

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

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

	<b>As at 30th September 2009 (Unaudited)</b>				
	<b>Sale of watches HK\$'000</b>	<b>Properties leasing HK\$'000</b>	<b>Segmental total HK\$'000</b>	<b>Unallocated (Note) HK\$'000</b>	<b>Total HK\$'000</b>
Segment assets	405,010	67,810	472,820	7,691	480,511
Available-for-sale investment	-	-	-	2,180	2,180
Total assets	<u>405,010</u>	<u>67,810</u>	<u>472,820</u>	<u>9,871</u>	<u>482,691</u>
Segment liabilities	96,673	4,363	101,036	5,757	106,793
Income tax payable	-	-	-	1,313	1,313
Total liabilities	<u>96,673</u>	<u>4,363</u>	<u>101,036</u>	<u>7,070</u>	<u>108,106</u>

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

	<b>For the six months ended 30th September 2008 (Unaudited)</b>				
	<b>Sale of watches HK\$'000</b>	<b>Properties leasing HK\$'000</b>	<b>Segmental total HK\$'000</b>	<b>Unallocated (Note) HK\$'000</b>	<b>Total HK\$'000</b>
External revenue	331,790	1,573	333,363	-	333,363
Turnover	<u>331,790</u>	<u>1,573</u>	<u>333,363</u>	<u>-</u>	<u>333,363</u>
Operating profit	39,989	645	40,634	(5,489)	35,145
Interest income	185	-	185	24	209
Finance costs	-	-	-	(13)	(13)
Segment results	<u>40,174</u>	<u>645</u>	<u>40,819</u>	<u>(5,478)</u>	35,341
Other income	(496)	-	(496)	565	69
Profit before taxation					35,410
Income tax					(1,750)
Profit for the period					<u>33,660</u>
Depreciation and amortisation	6,218	260	6,478	-	6,478

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

	As at 31st March 2009 (Audited)				
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated (Note) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	391,777	66,856	458,633	1,014	459,647
Available-for-sale investment	–	–	–	2,180	2,180
<b>Total assets</b>	<b>391,777</b>	<b>66,856</b>	<b>458,633</b>	<b>3,194</b>	<b>461,827</b>
Segment liabilities	93,689	4,433	98,122	5,992	104,114
Income tax payable	–	–	–	281	281
<b>Total liabilities</b>	<b>93,689</b>	<b>4,433</b>	<b>98,122</b>	<b>6,273</b>	<b>104,395</b>

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

**4. OTHER REVENUE**

	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest income from short-term bank deposits	<b>56</b>	23
Other interest income	–	186
Total interest income on financial assets not at fair value through profit or loss	<b>56</b>	209
Customer services income and others	<b>10,806</b>	8,523
	<b>10,862</b>	8,732

**NOTES TO THE INTERIM FINANCIAL REPORT** (Continued)**5. PROFIT BEFORE TAXATION**

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

*(a) Finance costs*

	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loan notes:		
Interest payable	<b>13</b>	13
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>13</b>	13
	<hr/> <hr/>	<hr/> <hr/>

*(b) Other items*

	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net exchange loss	<b>579</b>	722
Amortisation of prepaid lease payments	<b>33</b>	36
Depreciation	<b>8,558</b>	6,442
Fair value gain on derivative financial instrument	-	(69)
Write back of inventories, net	<b>(5,305)</b>	(11,149)
Staff costs including directors' fees and emoluments	<b>30,569</b>	33,806
Cost of inventories recognised as expenses	<b>227,760</b>	207,691
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE INTERIM FINANCIAL REPORT** (Continued)**6. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT**

	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Current:		
Hong Kong	-	-
Outside Hong Kong	<b>2,463</b>	1,750
	<b>2,463</b>	1,750

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.

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

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

	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period attributable to the equity shareholders of the Company for the purpose of basic earnings per share	<b>17,616</b>	33,660
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>600,695,128</b>	600,695,128

*(b) Diluted earnings per share*

Diluted earnings per share equal to the basic earnings per share as there were no potential dilutive ordinary shares for both periods presented.

**NOTES TO THE INTERIM FINANCIAL REPORT** (Continued)**8. DIVIDENDS**

The Directors resolved not to pay interim dividend for the six months ended 30th September 2009 (2008: HK\$Nil).

On 9th September 2009, a dividend of 1 HK cent per share was paid to shareholders as the final dividend for the year ended 31st March 2009 (2008: 1 HK cent per share).

**9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and buildings</b>	<b>Other fixed assets</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Net book value at 1st April 2008	9,926	13,875	23,801
Translation differences	(498)	135	(363)
Additions	–	14,939	14,939
Depreciation	(259)	(6,183)	(6,442)
	<u>9,169</u>	<u>22,766</u>	<u>31,935</u>
Net book value at 30th September 2008	<u>9,169</u>	<u>22,766</u>	<u>31,935</u>
Net book value at 1st April 2009	<b>8,580</b>	<b>24,732</b>	<b>33,312</b>
Translation differences	<b>489</b>	<b>346</b>	<b>835</b>
Additions	–	<b>4,380</b>	<b>4,380</b>
Depreciation	<b>(254)</b>	<b>(8,304)</b>	<b>(8,558)</b>
	<u>8,815</u>	<u>21,154</u>	<u>29,969</u>
Net book value at 30th September 2009	<u><b>8,815</b></u>	<u><b>21,154</b></u>	<u><b>29,969</b></u>

**10. AVAILABLE-FOR-SALE INVESTMENTS**

This represents clubs' memberships.

**NOTES TO THE INTERIM FINANCIAL REPORT** (Continued)**11. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

Trade receivables are due within 90 days from the date of billing. Included in trade receivables, other receivables, deposits and prepayments are trade receivables, the aging analysis of which is as follows:

	<b>30th September 2009 HK\$'000 (unaudited)</b>	31st March 2009 HK\$'000 (audited)
Trade receivables		
Up to 90 days	<b>31,017</b>	20,119
91 to 180 days	<b>125</b>	53
Over 180 days	<b>259</b>	150
	<hr/>	<hr/>
	<b>31,401</b>	20,322
Allowance for doubtful debts	<b>(8)</b>	(8)
	<hr/>	<hr/>
	<b>31,393</b>	20,314
Other receivables	<b>2,170</b>	3,080
	<hr/>	<hr/>
Loans and receivables	<b>33,563</b>	23,394
Deposits and prepayments	<b>21,065</b>	18,063
	<hr/>	<hr/>
	<b>54,628</b>	41,457
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**12. 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:

	<b>30th September 2009 HK\$'000 (unaudited)</b>	31st March 2009 HK\$'000 (audited)
Trade payables		
Up to 90 days	<b>28,105</b>	27,848
91 to 180 days	<b>522</b>	283
Over 180 days	<b>680</b>	644
	<hr/>	<hr/>
	<b>29,307</b>	28,775
Other payables and accrued charges	<b>25,653</b>	24,282
Deposits received	<b>2,267</b>	1,981
Other tax payables	<b>44,275</b>	43,760
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	<b>101,502</b>	98,798
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE INTERIM FINANCIAL REPORT** (Continued)**13. SHARE CAPITAL**

	<b>Number of shares</b> <i>'000</i> (unaudited)	<b>Value</b> <i>HK\$'000</i> (unaudited)
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April 2009 and 30th September 2009	1,000,000	100,000
Issued and fully paid:		
At 1st April 2009 and 30th September 2009	600,695	60,070

**14. 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:

	<b>30th September 2009</b> <i>HK\$'000</i> (unaudited)	31st March 2009 <i>HK\$'000</i> (audited)
Within one year	<b>2,476</b>	2,255
In the second to fifth years inclusive	<b>184</b>	3,053
	<b>2,660</b>	5,308

**As lessee**

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

	<b>30th September 2009</b> <i>HK\$'000</i> (unaudited)	31st March 2009 <i>HK\$'000</i> (audited)
Within one year	<b>51,645</b>	58,823
In the second to fifth years inclusive	<b>66,432</b>	66,092
	<b>118,077</b>	124,915

**NOTES TO THE INTERIM FINANCIAL REPORT** (Continued)**15. 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**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short-term employee benefits	<b>6,859</b>	8,207

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

**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. PLEDGE OF ASSETS**

As at 30th September 2009, the Group's general banking facilities were secured by certain leasehold properties, prepaid lease payments and investment properties with carrying value of HK\$1,146,000 (31st March 2009: HK\$1,192,000), HK\$548,000 (31st March 2009: HK\$551,000) and HK\$39,600,000 (31st March 2009: valuation of HK\$39,600,000) respectively.

**18. SEASONALITY OF OPERATION**

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

**19. COMPARATIVE FIGURES**

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Turnover for the Group grew by 2% compared with previous corresponding period as the global economy was slowly recovering from the financial tsunami with aid of the stimulus packages and monetary policies of major governments. The sales growth is not significant as the closure of Lehmann Brothers in September last year sparked off the financial tsunami affected the second half of the financial year 2008/09 more than the first half which was relatively stronger. Notwithstanding the slow recovery, the Group continued to improve the Timecity POSs. The Rolex/Tudor boutique in Hong Kong expanded in size and a Timecity POS in Beijing underwent renovation. Timecity also opened the Group's fourth Vacheron Constantin boutique located in the shopping district of Shenyang. The new stores and the renovated stores will laid the foundation for the future growth of Timecity as economic recovery gathers speed. Overall, the number of Timecity POSs has not changed compared with the last year end.

Competition in the luxury watch retail market remained fierce with aggressive pricing from fellow retailers. This affected gross margin which dropped from previous period average of 34% to 31%.

Overall, expenses have increased by 2% from the corresponding period but distribution costs now account for a bigger portion of total expenses because of the increased rentals from our expanded retail network.

### Financial Review

#### *Results review*

During the six months ended 30th September 2009, the Group recorded turnover of HK\$338,688,000 (2008: HK\$333,363,000) representing an increase of 2% (2008: 67%) over the corresponding period of last year. The increase was attributable to sales growth from the POSs in mainland China as compared with the prior reporting period.

Distribution costs increased by 8% to HK\$86,425,000 mainly due to increase in rental expenses during the period under review. Administrative expenses decreased by 19% from HK\$18,808,000 to HK\$15,273,000.

#### *Liquidity and financial resources*

As at 30th September 2009, the Group's total cash balance amounted to HK\$33,527,000 (31st March 2009: HK\$49,571,000). 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 2009 (31st March 2009: 1%).

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **Financial Review** (Continued)

#### *Foreign exchange risks*

The Group views its main currencies as Hong Kong dollars, Renminbi and Swiss Francs. The 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 outlook has improved since the latest annual report. Our main market, PRC, has continued to maintain its targeted GDP growth of 8% and consumer confidence remains high.

Looking ahead, we are still optimistic of the PRC watch retail market and the Group will take a cautious approach in its future development.

### **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 2009.

### **Employees and Remuneration Policy**

There were 527 employees in the Group as at 30th September 2009. 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 2009 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.

**CORPORATE GOVERNANCE** (Continued)

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 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 2009, 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 notified to the Company and The Stock Exchange of Hong Kong Limited (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 were as follows:

*Long positions in shares of the Company*

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

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

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

Save as disclosed herein, as at 30th September 2009, 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 2009, was the Company or any of its associated corporations a party to any arrangement to enable the Directors or chief executives to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or chief executives or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

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

As at 30th September 2009, 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:

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

*Notes:*

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

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

Save as disclosed above, as at 30th September 2009, there were no other person (other than the Directors or chief executive of the Company) who was recorded in the register of the Company as having an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## OTHER INFORMATION

### Interim Dividend

The Directors resolved not to pay interim dividend for the six months ended 30th September 2009 (2008: HK\$Nil).

### Purchase, Sale or Redemption of the Company' 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 2009.

### 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. Details of the Refreshment and the Amendment were contained in the circular to shareholders dated 1st August 2008.

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

No option was granted, exercised, cancelled or lapsed during the six months ended 30th September 2009 and as at 30th September 2009, 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, 15th December 2009