



ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 104)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

INTERIM RESULTS

The Board of Directors (the "Board") of Asia Commercial Holdings Limited (the "Company") is pleased to announce the unaudited interim results 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 interim results 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,	
	Notes	2006 HK\$'000 (unaudited)	2005 HK\$'000 (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 cents)	(0.17 cent)

Condensed Consolidated Balance Sheet

	Notes	30th September, 2006 HK\$'000 (unaudited)	31st March, 2006 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment		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		430	430
		43,798	49,997
Current Assets			
Inventories – goods for resale		94,927	106,295
Prepaid lease payments		115	110
Trade receivables	10	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	11	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		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

Notes:

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 ("Stock Exchange").

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

2. BASIS OF PREPARATION

These unaudited interim results 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 of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the HKICPA.

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

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim results 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 as described in the 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

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 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)
Segment revenue					
- External sales	155,211	1,261	-	-	156,472
- Inter-segment sales	-	627	-	(627)	-
	155,211	1,888	-	(627)	156,472
Segment results	(24,582)	(5,130)	(5,709)	-	-
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					(37,821)
	Six months ended 30th September, 2005				
	Sales of watches HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Corporate HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue					
- External sales	144,085	1,657	-	-	145,742
- Inter-segment sales	-	788	-	(788)	-
	144,085	2,445	-	(788)	145,742
Segment results	5,308	(1,476)	(3,292)	-	-
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					(673)

b) Geographical Segment

An analysis of the Group's turnover by geographical segments 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 ("PRC"), excluding Hong Kong	152,419	141,757
Hong Kong	3,107	1,902
Others	946	2,083
	156,472	145,742

5. OTHER REVENUE

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

6. FINANCE COSTS

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

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	1,533	1,164
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)	20,525	18,262

Notes:

- 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.
- During the six months ended 30th September, 2006, the Group made HK\$2,622,000 compensation 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

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 subsidiary companies 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
	HK\$37,570,000	HK\$556,000
	(unaudited)	(unaudited)
Loss for the period attributable to ordinary equity holders of the parent	333,719,516	333,719,516
Weighted average number of ordinary shares		
	333,719,516	333,719,516

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

The fair values of trade receivables approximate their carrying amounts.

11. TRADE PAYABLES

The aging analysis of trade payables is as follows:

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

The fair values of trade payables approximate their carrying amounts.

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).

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

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

- 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 announcement.

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.

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 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 streamline of operations.

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.

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.

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 the Company.

REVIEW OF THE INTERIM RESULTS

The Audit Committee of the Company has reviewed the relevant unaudited interim results of the Group and was content that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Committee found no unusual items that were omitted from the unaudited interim results and was satisfied with the disclosures of data and explanations shown in the unaudited interim results.

The unaudited interim results for the six months ended 30th September, 2006 have not been audited but have been reviewed by the Company's external auditors.

The financial information disclosed above complies with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and has been reviewed by the Audit Committee and the auditors before being put forward to the directors for approval.

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 interim results 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.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's unaudited interim results containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing The Listing of Securities on the Exchange will be published on the website of the Stock Exchange in due course.

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

As at the date of this announcement, the Board comprises Mr. Eav Yin, Mr. Eav Ming Keong, Kinson, Mr. Leung Chung Ping, Owen and Mr. Sum Pui Ying, Adrian as executive directors, Miss Leung Miu King, Marina as non-executive director and Mr. Lai Si Ming, Mr. Sit Kien Ping, Peter and Mr. Frank H. Miu as independent non-executive directors.

Website: www.asiacommercialholdings.com

* For identification purpose only