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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you have sold or transferred** all your shares in ASIA COMMERCIAL HOLDINGS LIMITED, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**ASIA COMMERCIAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 104)**

**DISCLOSEABLE TRANSACTION**  
**DISPOSAL OF PROPERTY INTERESTS IN THE PRC**

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7th February, 2005

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise specifies:*

“Agreement”	the sale and purchase agreement entered into on 13th January, 2005 between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Claim”	RMB6,374,200 (or approximately HK\$6.0 million) demanded by the PRC JV Partner against the Vendor in relation to certain management fees in previous years for the Property Interests
“Company”	Asia Commercial Holdings Limited, a company incorporated in Bermuda with limited liability, whose issued Shares are listed on the Main Board of the Stock Exchange
“connected persons”	has the same meaning ascribed thereto in the Listing Rules
“DACE”	Dongguan Asia Commercial Enterprises Limited, a sino-foreign contractual joint venture of the Group established in the PRC which is a cooperative joint venture and wholly-owned by the Company
“Directors”	the directors of the Company
“Disposal”	the disposal of the Property Interests by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interim Report”	the interim report of the Company for the six months ended 30th September, 2004
“Latest Practicable Date”	3rd February, 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC JV Partner”	東莞市厚街經濟發展總公司 (Dongguan Houjie Town Economic Development Head Company), a collectively owned enterprise registered in the PRC. Save for being the PRC joint venture partner of DACEL, the PRC JV Partner and its ultimate beneficial owners are third parties independent of the Company and its connected persons
“Property Interests”	all the rights and obligations pursuant to an agreement dated 8th June, 1992 entered into between the Vendor and the PRC JV Partner in relation to the grant of the land use right of the Subject Properties by such joint venture partner to the Vendor
“Purchaser”	東莞市京揚實業投資有限公司 (Dongguan Jing Yang Industrial Investment Company Limited), an enterprise incorporated under the Company Laws of the PRC
“SFO”	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$1.0 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Properties”	comprising three blocks of industrial building and four blocks of dormitory building and two buildings accommodating a staff canteen and a power generator with a total gross floor area of approximately 48,900 square metres within an industrial complex located at No. 5 Industrial Zone, Houjie Town, Dongguan, the PRC
“Vendor”	Asia Commercial Enterprises Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*In this circular, amounts denominated in RMB have been, for illustration purposes, converted into HK\$ at the rate of RMB1.06 = HK\$1.0.*

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## LETTER FROM THE BOARD

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### ASIA COMMERCIAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. Leung Chung Ping, Owen (*Chairman*)  
Mr. Sum Pui Ying, Adrian (*Managing Director*)

*Non-executive Director:*

Miss Leung Miu King, Marina

*Independent non-executive Directors:*

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

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Head office and*

*principal place of business:*

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

7th February, 2005

*To the Shareholders*

Dear Sirs,

### **DISCLOSEABLE TRANSACTION DISPOSAL OF PROPERTY INTERESTS IN THE PRC**

#### **1. INTRODUCTION**

On 19th January, 2005, the Board announced that the Vendor entered into the Agreement with the Purchaser pursuant to which (i) the Vendor agreed to sell, and the Purchaser agreed to purchase, the Property Interests for the Subject Properties located in Dongguan, the PRC; and (ii) the Purchaser agreed to assume the Claim. The Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

The purpose of this circular is to provide you with further information in respect of the Disposal and other information as required under the Listing Rules.

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## LETTER FROM THE BOARD

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### 2. THE AGREEMENT DATED 13TH JANUARY, 2005

#### Parties

Vendor : Asia Commercial Enterprises Limited, an indirect wholly-owned subsidiary of the Company

Purchaser : 東莞市京揚實業投資有限公司 (Dongguan Jing Yang Industrial Investment Company Limited), an enterprise incorporated under the Company Laws of the PRC and principally engaged in investment holdings

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its two ultimate beneficial owners, namely 陳桂森先生 (Mr. Chen Guisen) and 方少冰女士 (Ms. Fang Shaobing) (each of them is an individual holding 50% equity interest in the share capital of the Purchaser) are third parties independent of the Company and its connected persons.

#### Subject matter of sale and purchase

On 13th January, 2005, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which (i) the Vendor agreed to sell, and the Purchaser agreed to purchase, the Property Interests; and (ii) the Purchaser agreed to assume the Claim.

#### Information on the Property Interests and the Claim

The Property Interests represent all the rights and obligations pursuant to an agreement entered into between the Vendor and the PRC JV Partner dated 8th June, 1992 in relation to the grant of the land use right of the Subject Properties by such joint venture partner to the Vendor within an industrial complex located at No. 5 Industrial Zone, Houjie Town, Dongguan, the PRC. The Subject Properties comprise three blocks of industrial building, four blocks of dormitory building and two buildings accommodating a staff canteen and a power generator with a total gross floor area of approximately 48,900 square metres. Approximately 39,300 square metres of the Subject Properties are currently leased out for rental income, the tenants of which are all third parties independent of the Company and its connected persons. Approximately 9,600 square metres of the Subject Properties are occupied by the Group as offices, staff quarters, staff canteen and power generator. The Group's presence in the Subject Properties is for a limited scale of administrative operations in the southern region of the PRC. Pursuant to a lease agreement dated 13th January, 2005 entered into between the Vendor and the Purchaser, the Vendor leases from the Purchaser the area currently occupied by the Group in the Subject Properties on normal commercial terms at a monthly rental of approximately RMB23,000 (or approximately HK\$21,700) for two years from the date of entering into such agreement so that the existing operations of the Group therein are not affected as a result of the Disposal.

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## LETTER FROM THE BOARD

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The following is the financial information attributable to the Property Interests for the two financial years ended 31st March, 2003 and 2004 and the six months ended 30th September, 2004 extracted from the relevant audited accounts and unaudited management accounts of the Vendor:

	For the year ended 31st March,		For the six months ended 30th September,
	2003	2004	2004
	HK\$'000	HK\$'000	HK\$'000
Revenue	3,415	3,346	1,507
Net profit/(loss) (before and after taxation)	613	992	(9,532)

As set out in the Interim Report, an other expense of RMB6,374,200 (or approximately HK\$6.0 million) was recorded in relation to the Claim against the Vendor demanded by the PRC JV Partner. The Claim relates to certain management fees in previous years for the Property Interests. The Group does not admit the validity of the Claim because the Directors have a different view from the PRC JV Partner to calculating such management fees. Pursuant to the Agreement, the Purchaser shall assume the Claim. Save for the Claim and the provision for impairment loss for the Subject Properties of approximately HK\$3.7 million recorded for the six months ended 30th September, 2004, no other extraordinary items were recorded for each of the two financial years ended 31st March, 2003 and 2004 and the six months ended 30th September, 2004.

### Consideration

The consideration for the Disposal of RMB19.9 million (or approximately HK\$18.8 million) was paid by the Purchaser in cash upon signing of the Agreement and the Disposal was completed thereupon.

According to the unaudited management accounts which formed part of the Interim Report, the unaudited net book value of the Property Interests as at 30th September, 2004 was approximately HK\$21.7 million, representing approximately 7.5% of the total assets of the Group as at the same date. Such value was determined with reference to the valuation performed by an independent firm of professional valuers on an open market basis as at 30th September, 2004 at the time and for the purpose of the preparation of the Interim Report.

The consideration for the Disposal was determined after arm's length negotiations and having taken into account the aforesaid book value of the Property Interests and the Claim.

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## LETTER FROM THE BOARD

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### 3. REASONS FOR THE DISPOSAL

The Company is an investment holding company. The core business of its major subsidiaries is watch trading and retailing in the PRC.

Prior to the business restructuring in 1997, DACEL was engaged in the OEM manufacturing of watches and its factory was situated in the Subject Properties. Thereafter, DACEL ceased the OEM manufacturing and has been dormant. None of the members of the Group has taken up the OEM manufacturing after the business restructuring in 1997. In order to maximise the return to the Shareholders, most of the area of the Subject Properties has been leased out to third parties for rental income. Given the revenue generated from the Property Interests only represents an immaterial amount to the Group's total turnover and property investment is not a core business of the Group, the Disposal provides an opportunity to the Group to realise its investment in the Subject Properties and the proceeds thereof could strengthen the working capital position for the operations of the core business of the Group. As set out in the Interim Report, the Board would consider appropriate settlement proposals regarding the Claim if those are advantageous to the Group. Since it is stated in the Agreement that the Purchaser shall assume the Claim, the Disposal could also serve as an opportunity for the Group to settle the Claim. Taking into account the above reasons and factors, the Directors believe that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

### 4. USE OF PROCEEDS AND FINANCIAL EFFECTS OF THE DISPOSAL

The net proceeds from the Disposal after deducting the related expenses are estimated to be approximately HK\$15.6 million. The Group intends to apply the net proceeds as its general working capital.

The excess of the consideration for the Disposal over the aggregate amount of the unaudited net book value of the Property Interests as at 30th September, 2004 and the Claim is approximately HK\$3.1 million. The Group will record a loss of approximately HK\$0.2 million on the Disposal, which is calculated with reference to the unaudited net book value of the Property Interests as at 30th September, 2004 and the Claim (which will be written back and recorded as a gain in the accounts of the Group) after deducting the direct costs of approximately HK\$2.9 million and the rent free period adjustment of approximately HK\$0.4 million. There is no material effect on the net assets of the Group as a result of the Disposal.

### 5. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By Order of the Board  
**Sum Pui Ying, Adrian**  
*Managing Director*

## RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## DIRECTORS' INTERESTS

Directors	Nature of interests	Number of Shares held		Number of share options over the Shares held	Total	Approximate percentage to total issued share capital %
		Long position	Short position			
Leung Chung Ping, Owen	Personal	20,000,000	–	3,000,000	23,000,000	6.89
Sum Pui Ying, Adrian	Personal	–	–	3,000,000	3,000,000	0.89

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company:

- (i) had any interests and short positions in the Shares, underlying Shares and debentures of the Company or associated corporation (within the meaning of Part XV of the SFO) which:
  - (a) are 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 he is taken or deemed to have under such provisions of the SFO);
  - (b) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or
  - (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange; and
- (ii) was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Substantial Shareholders	Notes	Number of Shares held		Approximate percentage to total issued share capital %
		Long position	Short position	
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

Save as disclosed above, as at the Latest Practicable Date, so far is known to any Director or chief executive of the Company, no person other than a Director or chief executive of the Company had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

*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 settlor 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 in 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 hold 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, an executive Director and the Chairman of the Company, as parties acting in concert and on this basis, if taking into account the 3,000,000 shares options held by Mr. Leung Chung Ping, Owen, their aggregate long position in the Shares and the underlying Shares is approximately 115,500,000 Shares, representing approximately 34.6% of the total issued share capital of the Company.

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

**LITIGATION**

The Company is a nominal defendant of a derivative action brought by Galmare Investment Limited, a Shareholder, with two executive Directors, namely Mr. Leung Chung Ping, Owen and Mr. Sum Pui Ying, Adrian, 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, a declaration that the above executive Directors are precluded from regarding the conditions precedent to completion from having been complied with, damages against the executive Directors and other appropriate declarations or further ancillary reliefs. As the Company is only joined as a party to these proceedings as a nominal defendant to a derivative action, the Company does not take any active role in the proceedings and any damages recovered in such action are paid to the Company directly. Details of the above action were set out in the announcements of the Company dated 3rd May, 2001 and 16th May, 2001 and the circular of the Company dated 24th May, 2001. Further to the Court Order made on 4th January, 2002 that the Company is granted a leave to dispense with the filing and service of a defence in relation to the above action, pursuant to the subsequent Court Orders made on 3rd and 4th September, 2003, the ultimate result was that the Company successfully denied the plaintiff's application regarding claiming the Company to indemnify their legal costs incurred in above action. Accordingly, the Board does not anticipate any significant adverse financial effect to the Company up to the Latest Practicable Date.

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 above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance pending or threatened against any member of the Group.

**SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group which was not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

**COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Company.

**MISCELLANEOUS**

- (a) The Hong Kong branch share registrars and transfer office of the Company are Secretaries Limited located at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The qualified accountant of the Company is Mr. Sum Pui Ying, Adrian *FCCA, FCPA, MBA*.
- (c) The company secretary of the Company is Mr. Lai Kwok Hung, Alex *ACS, ACIS*.
- (d) The English text of this circular shall prevail over its Chinese text.