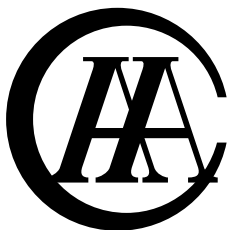


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# **ASIA COMMERCIAL HOLDINGS LIMITED** **冠亞商業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 104)**

## **PROPOSED CAPITAL REORGANISATION INVOLVING REDUCTION OF SHARE CAPITAL AND AUTHORISED SHARE CAPITAL INCREASE**

### **PROPOSED ADOPTION OF NEW BYE-LAWS**

The Company intends to put forward to the Shareholders a proposal involving the following changes to the capital of the Company:

- (a) Capital Reduction: the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.90 on each issued Share and reducing the nominal value of all the Shares comprising the authorised share capital of the Company from HK\$1.00 to HK\$0.10 per share such that the authorised share capital of the Company is reduced from HK\$400,000,000.00 to HK\$40,000,000.00; and
- (b) Authorised Share Capital Increase: upon the Capital Reduction becoming effective, the authorised share capital of the Company will also be increased from the reduced amount of HK\$40,000,000.00 to HK\$100,000,000.00 divided into 1,000,000,000 New Shares of HK\$0.10 each.

The credit arising from the Capital Reduction of HK\$300,347,564.40, calculated based on 333,719,516 Shares currently in issue, will be transferred to the contributed surplus account of the Company to set-off the accumulated losses of the Company, which stood at approximately HK\$110 million as at 31 March 2006. The remaining credit balance of such account may be utilised by the Directors in the future subject to and in accordance with the Bye-Laws of the Company and the Companies Act.

The Capital Reduction is conditional upon, among other things, passing by the Shareholders of a special resolution at the SGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares. The Authorised Share Capital Increase is conditional upon the Capital Reduction taking effect and passing by the Shareholders of an ordinary resolution at the SGM.

The Board also intends to propose to the Shareholders to pass a special resolution at the SGM to adopt a new set of Bye-Laws to replace the existing Bye-laws of the Company. The new Bye-Laws will reflect current Listing Rules and contain modernized and coherent set of provisions to facilitate and enhance management of the affairs of the Company.

The Circular containing, among other things, further particulars of the Capital Reorganisation and adoption of new Bye-Laws and a notice of the SGM, will be despatched to the Shareholders as soon as possible in accordance with the Listing Rules.

## **A. CAPITAL REORGANISATION**

The Company intends to put forward to the Shareholders the Capital Reorganisation comprising the Capital Reduction and Authorised Share Capital Increase. The details are set out below.

### **1. Capital Reduction**

The issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.90 on each issued Share and reducing the nominal value of all the Shares comprising the authorised share capital of the Company from HK\$1.00 to HK\$0.10 per share such that the authorised share capital of the Company is reduced from HK\$400,000,000.00 to HK\$40,000,000.00.

On the basis of 333,719,516 Shares currently in issue, a credit of HK\$300,347,564.40 will arise from the Capital Reduction and will be transferred to the contributed surplus account of the Company. It will be applied to set off the accumulated losses of the Company, which stood at approximately HK\$110 million as at 31 March 2006. The remaining balance standing to the credit of the contributed surplus account may be utilised in the future in accordance with the Bye-Laws of the Company and the Companies Act, including distribution to the Shareholders subject in any event to comply with the relevant statutory requirements on making distributions in the Companies Act.

### **2. Authorised Share Capital Increase**

As at the date of this announcement, the authorised share capital of the Company is HK\$400,000,000.00 divided into 400,000,000 Shares, of which 333,719,516 Shares have been issued and are fully paid up. Upon the Capital Reduction taking effect, it will be reduced to HK\$40,000,000.00 divided into 400,000,000 New Shares of HK\$0.10 each.

The Company will also propose to the Shareholders at the SGM that, upon the Capital Reduction taking effect, the authorised share capital of the Company will be increased from the reduced amount of HK\$40,000,000.00 to HK\$100,000,000.00 divided into 1,000,000,000 New Shares of HK\$0.10 each.

## **B. CONDITIONS OF THE CAPITAL REORGANISATION**

The Capital Reduction is conditional upon:

- (a) the passing by the Shareholders of a special resolution at the SGM;
- (b) the publication of a notice of the Capital Reduction in Bermuda in accordance with the Companies Act;
- (c) that, on the date on which the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they fall due; and

(d) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Shares to be issued following the completion of the Capital Reduction.

The Authorised Share Capital Increase is conditional upon the Capital Reduction becoming effective and the passing by the Shareholders of an ordinary resolution at the SGM.

The Capital Reduction and Authorised Share Capital Increase will both take effect on the same date. Further announcement will be made by the Company to inform the Shareholders about the effective date of the Capital Reorganisation.

### **C. EFFECT OF THE CAPITAL REORGANISATION**

The New Shares to be issued following the completion of the Capital Reduction will rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the Bye-Laws of the Company. The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, that is, before and after the implementation of the Capital Reorganisation:

	<b>Before the Capital Reorganisation</b>	<b>Immediately after the Capital Reorganisation</b>
Nominal value	HK\$1.00	HK\$0.10
Authorised share capital	HK\$400,000,000.00 divided into 400,000,000 Shares	HK\$100,000,000.00 divided into 1,000,000,000 New Shares
Issued and paid-up share capital	HK\$333,719,516 divided into 333,719,516 Shares	HK\$33,371,951.60 divided into 333,719,516 New Shares

*Notes:*

- (a) The above table is prepared on the assumption that no further Share(s) are issued or repurchased between the date of this announcement and the date of the SGM.
- (b) As at the date of this announcement, there are no outstanding convertible securities or options granted under the 2 share option schemes of the Company adopted on 15 September 1997 (which has been terminated) and 20 September 2002, respectively.

The implementation of the Capital Reorganisation will not, of itself, materially alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders.

### **D. REASONS FOR THE CAPITAL REORGANISATION**

The main purpose for implementing the Capital Reorganisation is to lower the nominal value of the Company's shares because under the Companies Act, it is not possible for a company to issue shares at a price below the nominal value of the shares. Immediately upon the Capital Reduction becoming effective, the nominal value of the Company's shares will become HK\$0.10 per share. The reduced nominal value will give the Company greater flexibility in pricing any future issue of securities. In addition, the Company can apply the credit arising from the Capital Reduction to offset the accumulated losses of the Company. According to the audited financial statements of the Company for the year ended 31 March 2006, the Company recorded accumulated losses of approximately HK\$110 million as at 31 March 2006. As long as

such losses are still carried in the books of the Company, they will present difficulties to the Company in making any dividend payment or distribution in the future under the relevant provisions in the Companies Act. Although such losses may be gradually offset by profits generated from normal business operations of the Group, it is unlikely that it will be achieved within a short period of time.

The Board also considers it desirable to propose the Authorised Share Capital Increase for approval by the Shareholders at the SGM. If approved, such proposal will provide the Company with sufficient share issuance limit under the Bye-Laws for immediate future use without the need to obtain further approval from the Shareholders at general meetings to revise it from time to time. The Board currently, however, does not have any immediate intention to issue New Shares after the Capital Reorganisation.

Therefore, the Directors consider the Capital Reorganisation to be in the interests of the Company and the Shareholders as a whole.

#### **E. TENTATIVE TIMETABLE AND TRADING ARRANGEMENTS**

The following expected timetable is indicative only and may be subject to change:

	<i>2007</i>
Circular to be despatched on . . . . .	5 March
Latest time for lodging proxy form for the SGM . . . . .	10:00 a.m. on 26 March
Date and time of the SGM . . . . .	10:00 a.m. on 28 March
Effective date of the Capital Reorganisation . . . . .	29 March
New Shares start to trade on the Stock Exchange . . . . .	9:30 a.m. on 29 March
First day of free exchange of the share certificates for existing Shares for new share certificates for New Shares . . . . .	29 March
Last day of free exchange of the share certificates for existing Shares for new share certificates for New Shares . . . . .	20 April

A further announcement will be made by the Company if there is any change to the above expected timetable.

Subject to the passing of the resolutions approving the Capital Reorganisation, Shareholders may, during business hours from 29 March 2007 until 20 April 2007 submit their share certificates for existing Shares held by them to the Company's branch share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in exchange for new share certificates for New Shares at the expenses of the Company. Thereafter, share certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate issued for the New Shares or each share certificate for existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. Nevertheless, share certificates for existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the New Shares at any time.

#### **F. ADOPTION OF NEW BYE-LAWS**

The existing Bye-Laws were adopted in 1989. There have been various substantial amendments made to the existing Bye-Laws in piecemeal fashion since first adoption, and the last round of amendments were made in 2004 to comply with the corporate governance provisions in the Listing Rules. They resulted in the existing Bye-Laws becoming very convoluted. Furthermore, the existing Bye-Laws lack modern provisions such as electronic corporate communications and summary financial statements as provided in the Listing Rules. Accordingly, the Board also intends to propose to the Shareholders at the SGM to pass a special resolution to adopt a new

set of Bye-Laws, instead of making further piecemeal amendments to avoid further confusion and complications. The new Bye-Laws will reflect current Listing Rules and contain modernized and coherent set of provisions, as typically adopted by listed issuers in Hong Kong generally, to facilitate and enhance management of the affairs of the Company. Relevant details about adoption of the new Bye-Laws, including a summary of the provisions in new Bye-Laws that are in addition to or different from those in the existing Bye-Laws, will be set out in the Circular.

## **G. GENERAL MATTERS**

The Company is an investment holding company and its subsidiaries are principally engaged in trading and retailing of watches and property holding.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares to be issued following the completion of the Capital Reduction.

The Circular containing, among other things, further particulars of the Capital Reorganisation and adoption of new Bye-Laws and a notice of the SGM, will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules.

In this announcement, the following terms shall have the meanings set opposite them unless the context otherwise requests:

“Authorised Share Capital Increase”	proposed increase of the authorised share capital of the Company upon the Capital Reduction taking effect, as referred to in the paragraph headed “Capital Reorganisation – Authorised Share Capital Increase”
“Board”	board of Directors
“Bye-Laws”	bye-laws of the Company
“Capital Reduction”	proposed reduction of the share capital of the Company as referred to in the paragraph headed “Capital Reorganisation - Capital Reduction” above
“Capital Reorganisation”	proposed capital reorganisation of the Company comprising the Capital Reduction and the Authorised Share Capital Increase, as referred to in the section headed “Capital Reorganisation” above
“Circular”	circular of the Company containing further details of the Capital Reorganisation and adoption of new Bye-Laws and a notice of the SGM, to be despatched to the Shareholders under the Listing Rules
“Companies Act”	Companies Act 1981 of Bermuda (as amended)
“Company”	Asia Commercial Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	new ordinary share(s) of HK\$0.10 each in the share capital of the Company following completion of the Capital Reduction
“SGM”	the special general meeting of the Company to be convened for the purpose of approving the Capital Reorganisation and adoption of new Bye-Laws

“Share(s)” ordinary share(s) of HK\$1.00 each in the share capital of the Company  
“Shareholder(s)” shareholder(s) of the Company  
“Stock Exchange” The Stock Exchange of Hong Kong Limited  
“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board

**Lam Yuen Kuk**

*Company Secretary*

Hong Kong, 9 February 2007

*As at the date of this announcement, the Board comprises Mr. Eaw Yin, Mr. Eaw Ming Keong, Kinson and Mr. Au Shiu Leung, Alex as executive Directors, and Mr. Lai Si Ming, Miss Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent as independent non-executive Directors.*

*\* For identification purposes only*

Please also refer to the published version of this announcement in The Standard.