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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

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 for the Subject Properties located in Dongguan, the PRC; and (ii) the Purchaser agreed to assume the Claim. The consideration for the Disposal of RMB19.9 million (or approximately HK\$18.8 million) has been paid by the Purchaser in cash and the Disposal has been completed.

The Disposal constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, amongst others, further details of the Disposal will be despatched to the Shareholders as soon as practicable.

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 (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.

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 of the Company for the six months ended 30th September, 2004, 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, being 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 2004 interim report of the Company, 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.

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.

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 2004 interim report of the Company, 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.

USE OF PROCEEDS AND FINANCIAL EFFECT 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 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.

GENERAL

The Disposal constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, amongst others, further details of the Disposal will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, 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
“DACEL”	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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC JV Partner”	the PRC joint venture partner of DACEL, which and the ultimate beneficial owners of which 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
“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 announcement, amounts denominated in RMB have been, for illustration purposes, converted into HK\$ at the rate of RMB1.06 = HK\$1.0.

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

Hong Kong, 19th January, 2005

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

Please also refer to the published version of this announcement in The Standard dated 20 January 2005.