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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)**

**PLACING OF CONVERTIBLE NOTES**

On 31st August 2010 after trading hours, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent conditionally agreed, as an agent appointed by the Company, to procure Placees to subscribe for Convertible Notes issued by the Company in an aggregate principal amount of up to HK\$100,800,000 on a "best-efforts" basis.

The Convertible Notes, when issued, will carry interest at 3% per annum. The principal amounts of all Convertible Notes shall be due and repayable on the third anniversary of the date of issue. The Convertible Notes will, upon issue, entitle their holders to convert their outstanding principal amounts into new Conversion Shares at the price of HK\$0.84 per Conversion Share (subject to adjustment).

Pursuant to the Placing Agreement, the Placing Agent will procure no less than six (6) professional, institutional and/or individual Placees to take up the Convertible Notes on a "best-efforts" basis, and all of them and their respective ultimate beneficial owners will be Independent Third Parties.

Full conversion of the Convertible Notes in the maximum aggregate principal amount of HK\$100,800,000 at the initial Conversion Price will give rise to a total of 120,000,000 Conversion Shares being issued, representing approximately 20% of the existing issued share capital of the Company and approximately 16.7% of the enlarged issued share capital of the Company. The General Mandate (2009), which has not been used before the Placing Agreement, will be used for the allotment and issue of the Conversion Shares.

Completion of the Placing Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares.

## **THE PLACING AGREEMENT**

On 31st August 2010 after trading hours, the Company and the Placing Agent entered into the Placing Agreement. Summarized below are the principal terms of the Placing Agreement.

**Date :** 31st August 2010

### **Parties:**

- (i) The Company, as the issuer; and
- (ii) Get Nice Securities Limited as the Placing Agent. To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

### **Placees**

Under the Placing Agreement, the Placing Agent shall procure no less than six (6) professional, institutional and/or individual Placees to subscribe, in cash, for the Convertible Notes in an aggregate principal amount of up to HK\$100,800,000 on a "best efforts" basis.

All the Placees to be procured and their respective ultimate beneficial owners will be Independent Third Parties.

### **Condition precedent and completion date**

Completion of the Placing shall be conditional upon the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued pursuant to conversion of the Convertible Notes.

The Placing Agreement shall be completed on the third business day immediately following the date on which the Company confirms fulfillment of the condition precedent in writing to the Placing Agent. On completion, the Company will issue the Convertible Notes to those Placees successfully procured by the Placing Agent and the aggregate principal amount of the Convertible Notes issued (net of any fee payable to the Placing Agent and costs and expenses (if any) agreed to be reimbursed by the Company) will be paid to the Company.

If the condition precedent is not fulfilled within two (2) months from the date of the Placing Agreement (or such other date as the Company and the Placing Agent may agree in writing), the Placing Agreement shall be automatically terminated and the Placing will not proceed, and the parties to the Placing Agreement shall be released from all obligations thereunder save for any liability arising out of antecedent breaches thereof.

### **Termination**

Pursuant to the Placing Agreement, if any breach of the Company's warranties, which in the reasonable opinion of the Placing Agent is material in the context of the Placing, comes to the knowledge of the Placing Agent, or any event occurs or matter arises on or after the date of the Placing Agreement and prior to the date of completion of the Placing Agreement, which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of the Company's warranties in that agreement untrue or incorrect in any material respect, or there has

been a material breach of any provision of the Placing Agreement and such breach, untruthfulness or incorrectness could, in the reasonable opinion of the Placing Agent, materially and adversely affect the Placing, then in any such case, the Placing Agent shall be entitled to terminate the Placing Agreement by giving notice in writing to the Company prior to 12:00 noon on the third business day before the date of expiry of the Placing Period.

### **Fee**

Pursuant to the Placing Agreement, the Placing Agent shall be entitled to a fee equal to 2% of the aggregate principal amount of the Convertible Notes issued by the Company to those Placees procured by the Placing Agent.

### **PRINCIPAL TERMS OF THE CONVERTIBLE NOTES**

The principal terms of the Convertible Notes are summarized as follows:

- |                   |   |
|-------------------|---|
| Principal amount: | The maximum aggregate principal amount of the Convertible Notes to be issued will be HK\$100,800,000. The Convertible Notes will be issued at 100% of their face value.   |
| Interest rate:    | The principal amount of the Convertible Notes shall bear interest at the rate of 3% per annum. The principal amount will cease to bear interest either (i) on the conversion into new Shares; or (ii) on prepayment of the outstanding principal amount of the Convertible Notes.   |
| Maturity:         | Unless previously converted or prepaid in accordance with the terms and conditions of the Convertible Notes, the Company will redeem all Convertible Notes on the Maturity Date at 100 percent of their respective outstanding principal amounts together with interest accrued.  |
| Early prepayment: | In relation to any outstanding Convertible Note, its holder has right, after giving the Company not less than twenty-one (21) business days prior written notice, to require the Company to prepay all or part, in an integral multiple of HK\$50,000, of the outstanding principal amount of such note, together with unpaid interest accrued on the principal amount to be prepaid, before the Maturity Date. However, such prepayment right shall not be exercised by any holders of the Convertibles Notes during a period of twenty-four (24) months commencing from the date of issue of the Convertible Notes. |

Transferability:	The Convertible Notes are transferable to any third parties subject to the applicable laws. In respect of any transfer to a connected person (as defined under the Listing Rules) of the Company, the relevant holder shall forthwith notify the Company in writing of such transfer, so that the Company will promptly notify the Stock Exchange of such transfer.
Conversion rights:	The holders of the Convertible Notes shall have the right to convert, at any time from the date of issue of the Convertible Notes up to the business day immediately prior to five (5) business days before the Maturity Date, the whole or any part (in an integral multiple of HK\$50,000) of the outstanding principal amount of the Convertible Notes into Conversion Shares.
Conversion Shares:	The Conversion Shares to be issued and credited as fully paid on the exercise of the conversion rights attached to the Convertible Notes shall rank <i>pari passu</i> in all respects with all other existing Shares outstanding at the date of conversion and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion. The Conversion Shares will be listed on the Stock Exchange.
Initial Conversion Price:	The initial Conversion Price is HK\$0.84 per Conversion Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue and other share or equity derivative issues.
Voting:	The holders of the Convertible Notes shall not be entitled to receive notices of, attend or vote at any general meetings of the Company by reason only of their capacity as the holders of the Convertible Notes.
Listing:	No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchanges.
Ranking:	The Convertible Notes shall rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Company.

The initial Conversion Price of HK\$0.84 per Conversion Share was arrived at after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market price of the Shares, and represents:

- a premium of approximately 9.1% to the closing price of HK\$0.77 per Share as quoted on the Stock Exchange on 31st August 2010, being the date of the Placing Agreement and the last trading day of the Shares on the Stock Exchange prior to this announcement;
- a premium of approximately 12% to the average closing price of HK\$0.75 per Share for the last five (5) consecutive trading days from 25th August 2010 up to and including 31st August 2010 as quoted on the Stock Exchange; and
- a premium of approximately 25.4% to the audited consolidated net tangible asset value per Share of approximately HK\$0.67 as at 31st March 2010.

Based on the comparisons above, the Directors consider the terms of the Convertible Notes, including the Conversion Price, are fair and reasonable and in the interests of the Shareholders as a whole.

## SHAREHOLDING STRUCTURE

Full conversion of the Convertible Notes in the maximum aggregate principal amount of HK\$100,800,000 at the initial Conversion Price of HK\$0.84 per Conversion Share will give rise to a total of 120,000,000 Conversion Shares being issued, representing approximately 20% of the existing issued share capital of the Company and approximately 16.7% of the enlarged issued share capital of the Company.

Set out below is a table showing the effect of full conversion of the Convertible Notes on the shareholding of the Company as at the date of this announcement :

	As at the date of this announcement		Upon full conversion of the Convertible Notes	
	No. of Shares	Approximate percentage (%)	No. of Shares	Approximate percentage (%)
Mr. Eav Yin and his associates (Note 1)	346,764,261	57.73	346,764,261	48.12
Mr. Eav Ming Keong, Kinson (Note 2)	707,400	0.12	707,400	0.10
Covenhills Limited	97,020,972	16.15	97,020,972	13.46
Placees	--	--	120,000,000	16.65
Other public Shareholders	156,202,495	26.00	156,202,495	21.67
Total:	600,695,128	100.00	720,695,128	100.00

Notes:

1. The interests of Mr. Eav Yin (Chairman and Executive Director of the Company) and his associates in Shares shown above have included all those deemed interests of himself, his wife and their children disclosed pursuant to part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong).

2. The interests of Mr. Eav Ming Keong, Kinson (Executive Director of the Company) in the Shares shown above are his personal interests.

The General Mandate (2009) will be used for the allotment and issue of the Conversion Shares. This mandate granted by the Shareholders at the annual general meeting of the Company on 27th August 2009 has not been used prior to the Placing Agreement. Under this mandate, the Company may issue up to 120,139,025 new Shares. Accordingly, the issue of the Convertible Notes and the allotment and issue of the Conversion Shares will not be made subject to approval by the Shareholders.

### **REASONS FOR AND BENEFITS OF THE PLACING OF THE CONVERTIBLE NOTES, AND THE USE OF PROCEEDS**

The Company is an investment holding company and its subsidiaries are principally engaged in watch retailing and trading businesses in the PRC and Hong Kong.

For the year ended 31st March 2010 and the year ended 31st March 2009, (i) the audited consolidated profit before taxation of the Group amounted to approximately HK\$56,834,000 and HK\$42,710,000 respectively; and (ii) the audited consolidated profit after taxation of the Group amounted to approximately HK\$51,231,000 and HK\$39,691,000 respectively.

The estimated net proceeds from the issue of all the Convertible Notes will be approximately HK\$98,700,000, which is intended to be used for general working capital purposes. The net issue price of each Conversion Share is approximately HK\$0.82.

In view of the prevailing market conditions and recent market sentiment, the Directors, after considering the interests of the Company and the Shareholders as a whole, believe that it is a right timing to issue the Convertible Notes as it provides an appropriate mean of raising additional capital for the Company and gives the Company an opportunity to broaden its capital base with a view to support the continuing development of the Group's existing business activities. The Directors consider that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group did not undertake any issue of equity securities to raise funds in the past twelve (12) months before this announcement.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares falling to be issued on the exercise of the conversion rights attaching to the Convertible Notes.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	board of Directors of the Company;
"business day"	a day (excluding any Saturday, Sunday and any other public holidays) on which banks in Hong Kong are generally open for settlement business;
"Company"	Asia Commercial Holdings Limited (stock code: 104), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Conversion Price"	the price, initially at HK\$0.84 per Conversion Share, at which the outstanding principal amount of the Convertible Notes is convertible into Conversion Shares;
"Conversion Shares"	new Shares falling to be issued and credited as fully paid upon the exercise of the conversion rights attaching to the Convertible Notes;
"Convertible Notes"	notes in an aggregate principal amount of HK\$100,800,000 to be created and issued by the Company pursuant to the Placing Agreement, the outstanding principal amount of which Convertible Notes are convertible into Conversion Shares at HK\$0.84 per Conversion Share (subject to adjustment);
"Director(s)"	the director(s) of the Company;
"General Mandate (2009)"	the general mandate to allot and issue new Shares granted at the annual general meeting of the Company on 27th August 2009. Up to 120,139,025 new Shares may be allotted and issued by the Company under this mandate;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Independent Third Party"	a party who is not connected person of the Company and is independent of (and not connected with) any directors, chief executive or substantial shareholder of the Company or its subsidiaries and their respective associates;
"Listing Committee"	the listing sub-committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Maturity Date"	the third anniversary of the date of issue of the Convertible Notes (or if such day is not a business day, the business day immediately after such day);
"Placee"	any professional, institutional and/or individual investor procured by the Placing Agent to subscribe for the Convertible Notes pursuant to the Placing Agent's obligations under the Placing Agreement;
"Placing"	the placing of the Convertible Notes by the Placing Agent pursuant to the Placing Agreement;
"Placing Agent"	Get Nice Securities Limited, a licensed corporation to carry on regulated activities Types 1, 4, 6 and 9 for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Placing Agreement"	the conditional placing agreement dated 31st August 2010 entered into between the Company and the Placing Agent;
"Placing Period"	the period commencing on the date of the Placing Agreement and terminating at 12:00 noon on the date of completion of the Placing Agreement, unless terminated earlier pursuant to the Placing Agreement;
"PRC"	the People's Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Share(s)"	ordinary share(s), currently of par value of HK\$0.10 each, in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"%"	per cent.



By Order of the Board  
**Asia Commercial Holdings Limited**  
**Au Shiu Leung, Alex**  
*Executive Director and Company Secretary*

Hong Kong, 31st August 2010

As at the date of this announcement, the Board comprises Mr. Eav Yin (Chairman), Mr. Eav Ming Keong, Kinson and Mr. Au Shiu Leung, Alex as executive directors and Mr. Lai Si Ming, Ms. Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent as independent non-executive directors.

*\* For identification purpose only*