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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)

CONTINUING CONNECTED TRANSACTIONS

The Group and the Connected Persons Group entered into the CCT Agreements, involving, among other things, (i) sale and supply of the Products, including watches, watch spare parts and components, watch accessories and packaging; (ii) provision of subsidised advertising and marketing support; (iii) leasing of offices and warehouses; and (iv) purchase of the Products, in all cases by the Group.

The Connected Persons Group are connected persons of the Company under the Listing Rules by virtue of them being companies ultimately owned by an associate of Mr. Eav, who is the Chairman and an executive director and controlling shareholder of the Company. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (as defined under the Listing Rules and other than the profits ratio), on an annual basis and in respect of the Annual Caps, are less than 5%, the transactions contemplated under the CCT Agreements (including the Annual Caps) are subject to the reporting, announcement and annual review but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Group and the Connected Persons Group entered into the CCT Agreements, involving, among other things, (i) sale and supply of the Products, including watches, watch spare parts and components, watch accessories and packaging; (ii) provision of subsidised advertising and marketing support; (iii) leasing of offices and warehouses; and (iv) purchase of the Products, in all cases by the Group. Details of the CCT Agreements are set out below.

THE CCT AGREEMENTS

A. The Framework Sales Agreement

Date

3 June 2013

Parties

- (1) Time City; and
- (2) Lucky Linker

Principle terms

The Framework Sales Agreement governs the sale, supply and/or delivery of the Products by the Group to the Connected Persons Group. It provides in particular that any transactions shall be agreed or made on terms (including price of the Products) which are either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties or suppliers of the Products (or similar products) as appropriate from time to time.

The transactions shall be agreed or made on the terms of the individual purchase order on an "order-by-order" basis. The Framework Sales Agreement does not create any legally binding obligation on any member of the Group and the Connected Persons Group with respect to the sale or purchase of any Products.

Term

The Framework Sales Agreement commenced on 1 April 2013 and shall end on 31 March 2016.

B. The Marketing Support Agreement

Date

3 June 2013

Parties

- (1) Time City; and
- (2) Lucky Linker

Principle terms

Pursuant to the Marketing Support Agreement, the Group will participate in the marketing programs and activities for promoting and enhancing the image of branded watches supplied by the Connected Persons Group. The Connected Persons Group will subsidise the Group by paying the Advertising Subsidy, which will be agreed or made on terms which are either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties as appropriate from time to time. The amount of the Advertising Subsidy will be negotiated on a "case-by-case" basis with reference to, among other things, the prevailing rental expenditure incurred by the Group for the relevant boutiques and the then marketing development strategy and positioning adopted by the Connected Persons Group for such watches. The prevailing rate of the Advertising Subsidy is HK\$250,000 per month.

Term

The Marketing Support Agreement commenced on 1 April 2013 and shall end on 31 March 2016.

C. The Framework Lease Agreement

Date

3 June 2013

Parties

- (1) Time City; and
- (2) Lucky Linker

Principle terms

The Framework Lease Agreement governs the leasing of land, buildings and premises by the Group to the Connected Persons Group. It provides in particular that any leases shall be agreed or made on terms (including those with respect to any rentals, fees and other charges payable by the Connected Persons Group under or in respect of the leases) which are either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties as appropriate from time to time.

The leases shall be agreed or made with respect to the specific leased properties in writing. The Framework Lease Agreement does not create any legally binding obligation on any member of the Group and the Connected Persons Group with respect to the leases.

Term

The Framework Lease Agreement commenced on 1 April 2013 and shall end on 31 March 2016.

D. The Framework Purchase Agreement**Date**

3 June 2013

Parties

- (1) Time City; and
- (2) Lucky Linker

Principle terms

The Framework Purchase Agreement governs the purchase of the Products by the Group from the Connected Persons Group. Similar to the Framework Sales Agreement, it also provides that any transactions shall be agreed or made on terms (including price of the relevant Products) which are either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties or suppliers of the Products (or similar products) as appropriate from time to time.

The transactions shall be agreed or made on the terms of the individual purchase orders on an "order-by-order" basis. The Framework Purchase Agreement does not create any legally binding obligation on any member of the Connected Persons Group or the Group with respect to the sale or purchase of any Products.

The Group has also been outsourcing watch assembly, processing and after-sale services, such as maintenance and repairs, to the Connected Persons Group from time to time. These services, generally ordered on an "order-by-order" basis, enable the Group to maintain high degree of flexibility in costs control over the manufacturing costs of its own branded watches and provide reliable after-sale services to the Group's customers. The Connected Persons Group will be entitled to fees and charges for these services as agreed with the Group on the same basis as mentioned above.

Term

The Framework Purchase Agreement commenced on 1 April 2013 and shall end on 31 March 2016.

THE ANNUAL CAPS

The annual caps for the transactions contemplated under the Framework Sales Agreement for each of the three financial years ending 31 March 2016 are proposed to be HK\$2,479,000, which was determined after considering (i) the historical sales volume and amount of the Products; (ii) the demand estimated for the Products during the three financial years ending 31 March 2016; (iii) the projected purchase prices of the Products during the three financial years ending 31 March 2016; and (iv) a buffer to accommodate changes in market conditions.

The annual caps for the transactions contemplated under the Marketing Support Agreement for the three financial years ending 31 March 2016 are proposed to be HK\$3,000,000, HK\$3,450,000 and HK\$3,968,000 respectively, which were determined after considering (i) the prevailing rental expenditure incurred by the Group for its boutiques offering the branded watches supplied by the Connected Persons Group; and (ii) a buffer for rental expenditure adjustment during the three financial years ending 31 March 2016.

The annual caps for the transactions contemplated under the Framework Lease Agreement for the three financial years ending 31 March 2016 are proposed to be HK\$2,124,000, HK\$2,337,000 and HK\$2,570,000 respectively, which were determined after considering (i) the prevailing rental agreed in lease agreements under the Framework Lease Agreement; (ii) the projected amount of rental during the three financial years ending 31 March 2016; and (iii) a buffer for other charges incidental to the lease agreements and rental adjustments.

The annual caps for the transactions contemplated under the Framework Purchase Agreement for the three financial years ending 31 March 2016 are proposed to be HK\$7,384,000, which was determined after considering (i) the historical purchase volume and amount of the Products; (ii) the demand estimated for the Products during the three financial years ending 31 March 2016; (iii) the projected purchase prices of the Products during the three financial years ending 31 March 2016; and (iv) a buffer to accommodate changes in market conditions.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The principal activities of the Group are the trading and retailing of watches and property leasing.

The transactions contemplated under the CCT Agreements are an integral part of the ordinary and usual course of business of the Group and will be conducted on normal commercial terms following an arm's length negotiation between the parties to the

CCT Agreements. The Directors (including the independent non-executive Directors) consider that the Framework Sales Agreement, the Marketing Support Agreement and the Framework Lease Agreement will enable the Group to generate additional revenue and income and the Framework Purchase Agreement will allow the Group to purchase the Products for retail sales to generate revenue.

As the transactions contemplated under the CCT Agreements will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that terms of the Continuing Connected Transactions (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Eav, Mr. Duong Ming Chi, Henry and Mr. Eav Ming Keong, Kinson, who have a material interest in the Continuing Connected Transactions, had abstained from voting on the board resolutions for approving the Continuing Connected Transactions.

LISTING RULES IMPLICATIONS

The Connected Persons Group are connected persons of the Company under the Listing Rules by virtue of them being companies ultimately owned by an associate of Mr. Eav, who is the Chairman and an executive director and controlling shareholder of the Company holding approximately 55% interest in the Company. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (as defined under the Listing Rules and other than the profits ratio), on an annual basis and in respect of the Annual Caps, are less than 5%, the transactions contemplated under the CCT Agreements (including the Annual Caps) are subject to the reporting, announcement and annual review but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company had conducted certain continuing transactions, involving, among other things, sales and purchases of the Products, provision of subsidised advertising and marketing support as well as leasing of offices and warehouses owned by the Group, with the Connected Persons Group prior to the current financial year ending 31 March 2014. The Company is currently reviewing the aforesaid transactions and will publish an announcement and re-comply with the relevant requirements under Chapter 14A of the Listing Rules as soon as practicable.

DEFINITIONS

“Advertising Subsidy”	the subsidy payments to the Group by the Connected Persons Group pursuant to the Marketing Support Agreement
“Annual Caps”	the proposed annual maximum aggregate value for the Continuing Connected Transactions for the three financial years ending 31 March 2016
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of the Directors
“CCT Agreements”	the Framework Sales Agreement, the Marketing Support Agreement, the Framework Lease Agreement and the Framework Purchase Agreement
“Company”	Asia Commercial Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning given to it under the Listing Rules
“Connected Persons Group”	Lucky Linker and its associates and, for the avoidance of doubt, excluding the Group
“Continuing Connected Transactions”	the continuing connected transactions between the Group and the Connected Persons Group pursuant to the CCT Agreements
“controlling shareholder”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Lease Agreement”	the framework agreement dated 3 June 2013 entered into between Time City and Lucky Linker in relation to the leasing of the Group’s premises to the Connected Persons Group for office and warehouse purposes

“Framework Purchase Agreement”	the framework agreement dated 3 June 2013 entered into between Time City and Lucky Linker in relation to the purchase of the Products by the Group from the Connected Persons Group
“Framework Sales Agreement”	the framework agreement dated 3 June 2013 entered into between Time City and Lucky Linker in relation to the sale and supply of the Products by the Group to the Connected Persons Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Lucky Linker”	Lucky Linker Limited, a member of the Connected Persons Group, which is principally engaged in brand development and watch trading
“Marketing Support Agreement”	the agreement dated 3 June 2013 entered into between Time City and Lucky Linker in relation to the participation of the Group in marketing plan and promotion activities for the branded watches, typically in the Group’s designated or featured retail boutiques for such branded watches
“Mr. Eav”	Mr. Eav Yin, the Chairman and an executive director and controlling shareholder of the Company
“Products”	watches, watch spare parts and components (including watch movements), watch accessories and packaging, and for the purpose of the Framework Purchase Agreement only, include watch assembly, maintenance, repair and processing services and related parts, supplies or materials
“Shareholders”	the holders of the shares of par value HK\$0.20 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Time City” Time City (Hong Kong) Limited, a wholly-owned subsidiary of the Company, which is principally engaged in watch trading

“%” per cent.

By Order of the Board
Asia Commercial Holdings Limited
CHENG Ka Chung
Company Secretary

Hong Kong, 3 June 2013

As at the date of this announcement, the Board comprises Mr. Eav (Chairman), Mr. Duong Ming Chi, Henry, Mr. Eav Ming Keong, Kinson and Mr. André Francois Meier 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*