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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**

During the four financial years ended 31 March 2013, the Group and the Connected Persons Group entered into the Continuing Connected Transactions from time to time. These transactions involved, among other things, (i) trading of watch movements; (ii) provision of subsidised advertising and marketing support; (iii) leasing of offices and warehouses; and (iv) purchase of the Products, including watches, watch spare parts and components, watch accessories and packaging, in all cases by the Group. These transactions, as an integral part of the ordinary and usual course of business of the Group, were conducted on normal commercial terms following an arm's length negotiation between the parties.

The Connected Persons Group are connected persons of the Company under the Listing Rules by virtue of them being companies ultimately controlled by an associate of Mr. Eav, who is the Chairman and an executive director and controlling shareholder of the Company holding over 50% interest in the Company during the four financial years ended 31 March 2013. Accordingly, the Continuing Connected Transactions made with the relevant members of the Connected Persons Group constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In relation to the Continuing Connected Transactions during the past four financial years ended 31 March 2013, some of the applicable percentage ratios (as defined under the Listing Rules and other than the profits ratio), on the basis of the annual aggregate values, of certain types of transactions made during the following financial years, namely, (i) trading of watch movements and purchases of the Products for the financial year ended 31 March 2010; (ii) trading of watch movements for the financial year ended 31 March 2011; and (iii) each type of the Continuing Connected Transactions for the two financial years ended 31 March 2013, exceeded the applicable de minimis thresholds to qualify for exemption from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Nevertheless, all of the applicable percentage ratios on an annual basis of the Continuing Connected Transactions in each of the four financial years ended 31 March 2013 were less than the prescribed percentage threshold (being 5% or 2.5% as the case

may be) that would otherwise give rise to the independent shareholders' approval requirement. Accordingly, the abovementioned Continuing Connected Transactions made during the relevant financial years concerned were only subject to the reporting, announcement and annual review requirements and all of the Continuing Connected Transactions made during the four financial years ended 31 March 2013 were exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## INTRODUCTION

During the four financial years ended 31 March 2013, the Group and the Connected Persons Group entered into the Continuing Connected Transactions from time to time. These transactions involved, among other things, (i) trading of watch movements; (ii) provision of subsidised advertising and marketing support; (iii) leasing of offices and warehouses; and (iv) purchase of the Products, including watches, watch spare parts and components, watch accessories and packaging, in all cases by the Group. These transactions, as an integral part of the ordinary and usual course of business of the Group, were conducted on normal commercial terms following an arm's length negotiation between the parties. Details of the Continuing Connected Transactions are set out below.

## THE CONTINUING CONNECTED TRANSACTIONS

### A. Trading of watch movements

During the four financial years ended 31 March 2013, the Group conducted trading of watch movements with a member of the Connected Persons Group. The aggregate values of trading of watch movements with the Connected Persons Group are set out in the table below.

	<b>For the year ended 31 March</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>(HK\$ 000)</i>	<i>(HK\$ 000)</i>	<i>(HK\$ 000)</i>	<i>(HK\$ 000)</i>
Trading of watch movements				
- Sales to the Connected Persons Group	-	1,498.1	6,342.7	4,470.7
- Purchases from the Connected Persons Group	2,635.0	12,429.7	1,275.9	-

The trading of watch movements were agreed or made on terms (including price of the watch movements) which were 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 watch movements (or similar products) as appropriate from time to time.

## B. Provision of subsidised advertising and marketing support

During the two financial years ended 31 March 2013, the Group participated in the marketing programs and activities for promoting and enhancing the image of branded watches supplied by Lucky Linker, a member of the Connected Persons Group. The Connected Persons Group subsidised the Group by paying the Advertising Subsidy. The aggregate values of the Advertising Subsidy received from the Connected Persons Group are set out in the table below.

	For the year ended 31 March	
	2012	2013
	(HK\$ 000)	(HK\$ 000)
Advertising Subsidy received from the Connected Persons Group	936.7	1,950.0

The Advertising Subsidy was agreed or made on terms which were 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 was negotiated with reference to, among other things, the then prevailing rental expenditure incurred by the Group for the relevant boutique and the then marketing development strategy and positioning adopted by the Connected Persons Group for such watches.

## C. Leasing of offices and warehouses

During the four financial years ended 31 March 2013, the Group leased certain premises owned by the Group to Lucky Linker and other members of the Connected Persons Group, for rental income. The aggregate values of rental payment received from the Connected Persons Group are set out in the table below.

	For the year ended 31 March			
	2010	2011	2012	2013
	(HK\$ 000)	(HK\$ 000)	(HK\$ 000)	(HK\$ 000)
Rental income received from the Connected Persons Group	126.0	211.9	1,102.3	1,427.7

The leases were agreed or made on terms (including those with respect to any rentals, fees and other charges paid by the Connected Person Group under or in respect of the leases) which were 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.

## D. Purchases of the Products

During the four financial years ended 31 March 2013, the Group purchased the Products from Lucky Linker and other members of the Connected Persons Group.

The aggregate values of purchase of the Products from the Connected Persons Group are set out in the table below.

	<b>For the year ended 31 March</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>(HK\$ 000)</i>	<i>(HK\$ 000)</i>	<i>(HK\$ 000)</i>	<i>(HK\$ 000)</i>
Purchases of the Products from the Connected Persons Group	2,082.3	24.2	4,021.0	8,865.5

The purchases of the Products were agreed or made on terms (including price of the relevant Products) which were 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 Group has also outsourced 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, enabled 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 was entitled to fees and charges for these services as agreed with the Group on the same basis as mentioned above.

## **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 Continuing Connected Transactions were an integral part of the ordinary and usual course of business of the Group and were conducted on normal commercial terms following an arm's length negotiation between the parties to the Continuing Connected Transactions. The Directors (including the independent non-executive Directors) consider that sales of watch movements, provision of subsidised advertising and marketing support and leasing of offices and warehouses to the Connected Persons Group enabled the Group to generate additional revenue and income. The purchases of watch movements and the Products allowed the Group to purchase the necessary components and the Products for the Group's manufacturing and retail sales of watches to generate revenue.

As the Continuing Connected Transactions were 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) were of the view that terms of the Continuing Connected Transactions were 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, being considered to have a material interest in the Continuing Connected Transactions, had abstained from voting on the board resolutions for approving and ratifying 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 controlled by an associate of Mr. Eav, who is the Chairman and an executive director and controlling shareholder of the Company holding over 50% interest in the Company during the four financial years ended 31 March 2013. Accordingly, the Continuing Connected Transactions made with the relevant members of the Connected Persons Group constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In relation to the Continuing Connected Transactions during the past four financial years ended 31 March 2013, some of the applicable percentage ratios (as defined under the Listing Rules and other than the profits ratio), on the basis of the annual aggregate values, of certain types of transactions made during the following financial years, namely, (i) trading of watch movements and purchases of the Products for the financial year ended 31 March 2010; (ii) trading of watch movements for the financial year ended 31 March 2011; and (iii) each type of the Continuing Connected Transactions for the two financial years ended 31 March 2013, exceeded the applicable *de minimis* thresholds to qualify for exemption from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Nevertheless, all of the applicable percentage ratios on an annual basis of the Continuing Connected Transactions in each of the four financial years ended 31 March 2013 were less than the prescribed percentage threshold (being 5% or 2.5% as the case may be) that would otherwise give rise to the independent shareholders' approval requirement. Accordingly, the abovementioned Continuing Connected Transactions made during the relevant financial years concerned were only subject to the reporting, announcement and annual review requirements and all of the Continuing Connected Transactions made during the four financial years ended 31 March 2013 were exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company, accordingly, did not comply with the reporting, announcement and annual review requirements and set up of cap in relation to the above transactions, being (i) trading of watch movements and purchases of the Products for the financial year ended 31 March 2010; (ii) trading of watch movements for the financial year ended 31 March 2011; and (iii) each type of the Continuing Connected Transactions for the financial year ended 31 March 2012 and did not comply with the announcement requirement and set up of cap in relation to each type of the Continuing Connected Transactions for the financial year ended 31 March 2013.

## **REMEDIAL ACTIONS TO BE TAKEN BY THE COMPANY**

In the course of preparing the final results of the Group for the financial year ended 31 March 2013, it has come to the attention of the Directors that the Continuing Connected Transactions were conducted during the four financial years ended 31 March 2013. The Directors, in this regard, regrettably admit that the Company has overlooked certain requirements under Chapter 14A of the Listing Rules but reiterate that such instances of non-compliance were purely unintentional and oversight and consider a majority of them would not prejudice the interests and rights of the Shareholders on the basis as set out below.

- (a) The instances of non-compliance with the relevant requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions for the four financial years ended 31 March 2013 were purely unintentional and oversight. They were driven by new business developments of the Company during the periods in concern, which were entirely in the ordinary and usual course of business of the Group;
- (b) the Continuing Connected Transactions were conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the Company and the Shareholders; and
- (c) the Continuing Connected Transactions were not significant in terms of the overall operations or financial results or position of the Group and were exempt from independent shareholders' approval requirement.

To address the lapse in compliance with the Listing Rules, the Company is committed to undertaking the remedial actions which include, among others, the following:

- (a) The Company published this announcement in relation to the Continuing Connected Transactions.
- (b) The Company will include the details of the Continuing Connected Transactions for the three financial years ended 31 March 2012 in the 2013 Annual Report to be published in around July 2013.
- (c) The independent non-executive Directors will review and confirm the Continuing Connected Transactions for the three financial years ended 31 March 2012. The results of the review will be set out in the 2013 Annual Report.

The Company will also implement measures to strengthen its internal controls, in particular to the continuous compliance of the Listing Rules, including training on compliance of the Listing Rules and review and update of internal control systems.

## DEFINITIONS

“2013 Annual Report”	the annual report of the Company for the financial year ended 31 March 2013
“Advertising Subsidy”	the subsidy payments to the Group by the Connected Persons Group in relation to the provision of subsidised advertising and marketing support by the Group
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of the Directors
“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”	companies ultimately controlled by an associate of Mr. Eav and, for the avoidance of doubt, excluding the Group
“Continuing Connected Transactions”	the continuing transactions between the Group and the Connected Persons Group during the four financial years ended 31 March 2013
“controlling shareholder”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“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 purchases of the Products from the Connected Persons Group 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
“%”	per cent.

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

Hong Kong, 19 July 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*