
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your Shares in Asia Commercial Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.



ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

- (I) PROPOSED OFFER OF NEW CONSOLIDATED SHARES
BY WAY OF A RIGHTS ISSUE OF
NOT LESS THAN 1,025,149,830 RIGHTS SHARES AND
NOT MORE THAN 1,089,983,886 RIGHTS SHARES
IN THE PROPORTION OF THREE RIGHTS SHARES FOR
EVERY ONE CONSOLIDATED SHARE HELD
ON THE RECORD DATE AT HK\$0.20 PER RIGHTS SHARE;
- (II) PROPOSED SHARE CONSOLIDATION;
- (III) PROPOSED SHARE CAPITAL INCREASE; AND
- (IV) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company



SOMERLEY LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智 略 資 本

A letter from the Board is set out on pages 11 to 32 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 33 and 34 of this circular. A letter from Veda Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue is set out on pages 35 to 53 of this circular.

A notice convening the SGM to be held at Qin, Han Room, Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 7 January 2013 at 10:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be dealt in on an ex-rights basis from Wednesday, 9 January 2013. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 18 January 2013 to Friday, 25 January 2013 (both days inclusive). It is expected that the conditions referred to in the paragraph headed "Conditions of the Rights Issue" in this circular are to be fulfilled on or before 8:00 a.m. on Friday, 8 February 2013. If the conditions referred to in that paragraph are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the date of this circular and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from Friday, 18 January 2013 to Friday, 25 January 2013 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional adviser.

The Shareholders and potential investors of the Company should note that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to the Latest Termination Time to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the paragraph headed "Termination of the Underwriting Agreement" on page 4 of this circular. Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the expenses in connection with the Rights Issue. If the Underwriter exercises such right, the Rights Issue will not become unconditional and will not proceed.

* for identification only

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	1
TERMINATION OF THE UNDERWRITING AGREEMENT	4
DEFINITIONS	5
LETTER FROM THE BOARD	11
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	33
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	35
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – UNAUDITED FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III – GENERAL INFORMATION	III-1
NOTICE OF THE SGM	SGM-1

EXPECTED TIMETABLE

Expected timetable for the proposed Rights Issue and the proposed Capital Reorganisation is set out below:–

Events	Time and date
Despatch of circular with notice of the SGM	Tuesday, 18 December 2012
Latest time for lodging transfers of the Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Friday, 4 January 2013
Latest time for return of proxy form of the SGM	10:00 a.m. on Saturday, 5 January 2013
The SGM	10:00 a.m. on Monday, 7 January 2013
Announcement of poll results of the SGM	Monday, 7 January 2013
Effective date of the Capital Reorganisation	Tuesday, 8 January 2013
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Tuesday, 8 January 2013
Original counter for trading in existing Shares in the board lots size of 5,000 temporarily closes	9:00 a.m. on Tuesday, 8 January 2013
Temporary counter for trading in Consolidated Shares in the board lots size of 500 (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 8 January 2013
First day for free exchange of existing share certificates for the Shares into new share certificates for the Consolidated Shares	Tuesday, 8 January 2013
Last day of dealing in the Consolidated Shares on a cum-rights basis	Tuesday, 8 January 2013
First day of dealing in the Consolidated Shares on an ex-rights basis	Wednesday, 9 January 2013
Latest time for lodging transfer of the Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 10 January 2013
Register of members of the Company closes	Friday, 11 January 2013 to Tuesday, 15 January 2013 (both days inclusive)
Record Date	Tuesday, 15 January 2013
Register of members of the Company re-opens	Wednesday, 16 January 2013
Despatch of the Prospectus Documents	Wednesday, 16 January 2013

EXPECTED TIMETABLE

Events	Time and date
First day of dealings in nil-paid Rights Shares	Friday, 18 January 2013
Original counter for trading in the Consolidated Shares in the board lots size of 5,000 (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 22 January 2013
Parallel trading in the Consolidated Shares (in the form of new and existing share certificates) commences	9:00 a.m. on Tuesday, 22 January 2013
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	9:00 a.m. on Tuesday, 22 January 2013
Latest time for splitting of the nil-paid Rights Shares	4:00 p.m. on Tuesday, 22 January 2013
Last day of dealings in the nil-paid Rights Shares.	Friday, 25 January 2013
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Wednesday, 30 January 2013
The Latest Termination Time	6:00 p.m. on Monday, 4 February 2013
Announcement of results of acceptance of the Rights Issue	Wednesday, 6 February 2013
Despatch of certificates for the fully-paid Rights Shares on or before	Thursday, 7 February 2013
Commencement of dealings in the fully-paid Rights Shares	9:00 a.m. on Friday, 8 February 2013
Temporary counter for trading in the Consolidated Shares in the board lots size of 500 (in the form of existing share certificates) closes	4:00 p.m. on Thursday, 14 February 2013
Parallel trading in the Consolidated Shares (in the form of new and existing share certificates) ends	4:00 p.m. on Thursday, 14 February 2013
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	4:00 p.m. on Thursday, 14 February 2013
Last day of free exchange of existing share certificates for the Shares into new share certificates for the Consolidated Shares	Tuesday, 19 February 2013

EXPECTED TIMETABLE

All dates and times in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

Note: The latest time for acceptance of and payment for the Rights Shares will not take effect if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (1) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of, and payment for, the Rights Shares. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of, and payment for, the Rights Shares. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take effect at 4:00 p.m. on Wednesday, 30 January 2013, the dates mentioned above may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter reserves the right, to terminate the Underwriting Agreement, prior to the Latest Termination Time, if any of the below occurs prior to the Latest Termination Time:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement is untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (b)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
 - (vi) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which event or events is or are in the reasonable opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares “taken up”; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then and in such case, the Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing to the Company terminate the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not become unconditional and therefore will not proceed.

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 27 November 2012 in relation to, among other things, the Capital Reorganisation and the Rights Issue
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of the Company from time to time
“Capital Reorganisation”	the Share Consolidation and the Share Capital Increase
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Asia Commercial Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	share(s) of par value HK\$0.20 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Convertible Notes”	the 3% convertible notes of the Company due on 27 September 2013 with the outstanding principal amount of HK\$31,300,000 as at the Latest Practicable Date
“Covenhills”	Covenhills Limited, a substantial Shareholder as at the Latest Practicable Date

DEFINITIONS

“Despatch Date”	Wednesday, 16 January 2013, being the date on which the Prospectus Documents are despatched
“Director(s)”	the director(s) of the Company
“Eav Family”	Mr. Eav, his spouse and their children, namely, Mr. Henry Duong and Mr. Kinson Eav
“Excluded Shareholder(s)”	the Overseas Shareholder(s) who the Directors, after making enquiries, prior to 4:30 p.m. on the Latest Lodging Date but in any event before the Record Date, regarding the legal restrictions, if any, under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where the Overseas Shareholder(s) resides, consider it necessary or expedient not to offer them the Rights Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Lai Si Ming, Ms. Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent, constituted to advise the Independent Shareholders as regards the terms of the Rights Issue and the Underwriting Agreement
“Independent Financial Adviser”	Veda Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders as regard to the Rights Issue
“Independent Shareholders”	the Shareholders other than the Eav Family

DEFINITIONS

“Irrevocable Undertakings”	the irrevocable undertakings given by Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav to the Company on 27 November 2012 to subscribe for the Rights Shares to which Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav and their respective associates are entitled under the terms of the Rights Issue, the details of which are set out in the paragraph headed “Irrevocable Undertakings from Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav” under the section headed “Underwriting and sub-underwriting arrangements for the Rights Issue” in this circular
“Last Trading Day”	Tuesday, 27 November 2012, being the date of entering into the Underwriting Agreement
“Latest Acceptance Date”	Wednesday, 30 January 2013, being the last day for acceptance of and payment for the Rights Shares
“Latest Lodging Date”	Thursday, 10 January 2013, being the last day for lodging transfer of the Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	13 December 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Latest Termination Time”	6:00 p.m. on the third Business Day after the Latest Acceptance Date
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Eav”	Mr. Eav Yin (alias Duong Khai Nhon), Chairman and an executive Director
“Mr. Henry Duong”	Mr. Duong Ming Chi, Henry, an executive Director and a son of Mr. Eav
“Mr. Kinson Eav”	Mr. Eav Ming Keong, Kinson, an executive Director and a son of Mr. Eav
“Overseas Shareholder(s)”	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company on the Record Date is/are outside of Hong Kong
“PAL(s)”	renounceable provisional allotment letter(s) to be issued by the Company to the Qualifying Shareholders

DEFINITIONS

“PRC” or “China”	the People’s Republic of China and, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Tuesday, 15 January 2013, the record date to determine entitlements to the Rights Issue
“Registrar”	Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue by the Company of not less than 1,025,149,830 Rights Shares and not more than 1,089,983,886 Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date payable in full on acceptance under the terms and conditions as set out in the Underwriting Agreement and the Prospectus
“Rights Share(s)”	the new Consolidated Share(s) to be allotted and issued by the Company under the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened at Qin, Han Room, Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, on Monday, 7 January 2013 at 10:00 a.m. for approving, among other things, and the Capital Reorganisation, the Rights Issue and the transactions contemplated thereunder, the notice of which is set out at the end of this circular
“Share(s)”	ordinary share(s) in the share capital of the Company, the par value of which is (i) HK\$0.02 each as at the Latest Practicable Date or before the implementation of the Share Consolidation (“Existing Share(s)”); or (ii) HK\$0.20 each after the implementation of the Share Consolidation (i.e. the Consolidated Shares)

DEFINITIONS

“Share Capital Increase”	the proposed increase in the authorised share capital of the Company from HK\$100,000,000 divided into 500,000,000 Consolidated Shares with par value HK\$0.20 each to HK\$500,000,000 divided into 2,500,000,000 Consolidated Shares with par value HK\$0.20 each
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Shares in the authorised share capital of the Company into one (1) Consolidated Share
“Share Option(s)”	the option(s) issued under the share option scheme of the Company which became effective on 20 September 2002 and lapsed on 20 September 2012 (with the share award plan approved by the Shareholders on 13 September 2010 being the only share option or incentive scheme of the Company subsisting for the time being but no award has been made by the Company since its adoption)
“Shareholder(s)”	the holder(s) of the Share(s) or the Consolidated Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price of HK\$0.20 per Rights Share at which the Rights Shares are proposed to be offered for subscription
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sub-Underwriters”	the sub-underwriters to the Rights Issue, being independent third parties who are independent of and not connected with the Company and its connected persons and/or associates
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Century Hero International Limited, a company wholly owned by Mr. Eav
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter dated 27 November 2012 in relation to the Rights Issue
“Underwritten Shares”	543,194,196 Rights Shares, underwritten by the Underwriter, subject to the terms and conditions of the Underwriting Agreement
“Unvested Share Option(s)”	the Share Option(s) which are unvested as at the Latest Practicable Date and up to the Record Date

DEFINITIONS

“Vested Share Option(s)”	the Share Option(s) which are vested as at the Latest Practicable Date and up to the Record Date
“%”	per cent.

LETTER FROM THE BOARD



ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

Directors:

Executive Directors:

Eav Yin (alias Duong Khai Nhon) (*Chairman*)
Eav Ming Keong, Kinson
Duong Ming Chi, Henry
André Francois Meier

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Independent non-executive Directors:

Lai Si Ming
Wong Wing Yue, Rosaline
Lee Tat Cheung, Vincent

*Head office and principal
place of business:*

19th Floor
9 Des Voeux Road West
Hong Kong

18 December 2012

To the Shareholders,

Dear Sir or Madam,

**(I) PROPOSED OFFER OF NEW CONSOLIDATED SHARES
BY WAY OF A RIGHTS ISSUE OF
NOT LESS THAN 1,025,149,830 RIGHTS SHARES AND
NOT MORE THAN 1,089,983,886 RIGHTS SHARES
IN THE PROPORTION OF THREE RIGHTS SHARES FOR
EVERY ONE CONSOLIDATED SHARE HELD
ON THE RECORD DATE AT HK\$0.20 PER RIGHTS SHARE;**

(II) PROPOSED SHARE CONSOLIDATION; AND

(III) PROPOSED SHARE CAPITAL INCREASE

* For identification only

LETTER FROM THE BOARD

(A) INTRODUCTION

On 27 November 2012, the Board announced that the Company is proposing to raise not less than approximately HK\$205.0 million but not more than approximately HK\$218.0 million before expenses by way of the Rights Issue to the Shareholders. The Rights Issue originally contemplated would involve the issue of not less than 1,025,149,830 Rights Shares and not more than 1,090,037,886 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share on the basis of three (3) Rights Shares for every one (1) Consolidated Share in issue on the Record Date. Since the Announcement, 180,000 Vested Share Options (with the rights to subscribe for 180,000 Shares or 18,000 Consolidated Shares upon the Share Consolidation becoming effective) have lapsed and therefore the maximum number of the Rights Shares to be issued had been reduced by 54,000 Rights Shares to 1,089,983,886 Rights Shares. The Rights Shares will not be offered to the Excluded Shareholders.

In addition, the Board also announced that (i) the Share Consolidation involving the consolidation of every ten (10) issued and unissued Shares of par value of HK\$0.02 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$0.20; and (ii) the Share Capital Increase involving the increase in the authorised share capital of the Company from HK\$100,000,000 divided into 500,000,000 Consolidated Shares of par value HK\$0.20 each to HK\$500,000,000 divided into 2,500,000,000 Consolidated Shares of par value HK\$0.20 each.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders on whether the terms of the Rights Issue (and the transactions contemplated thereunder) are fair and reasonable and the Rights Issue (and the transactions contemplated thereunder) is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account of the recommendation of the Independent Financial Adviser. Veda Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further details about the proposed Rights Issue and the proposed Capital Reorganisation; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue (and the transactions contemplated thereunder); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue (and the transactions contemplated thereunder); and (iv) a notice convening the SGM.

(B) PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date
Subscription Price	:	HK\$0.20 per Rights Share with par value of HK\$0.20 each
Number of the Existing Shares in issue as at the Latest Practicable Date	:	3,417,166,100 Existing Shares

LETTER FROM THE BOARD

Number of the Consolidated Shares in issue upon the Share Consolidation becoming effective	:	341,716,610 Consolidated Shares
Number of Rights Shares:	:	Not less than 1,025,149,830 Rights Shares and not more than 1,089,983,886 Rights Shares (<i>Note</i>)
Enlarged issued share capital upon completion of the Rights Issue:	:	Not less than 1,366,866,440 Consolidated Shares and not more than 1,453,311,848 Consolidated Shares (<i>Note</i>)

Note:

As at the Latest Practicable Date, there are 29,804,000 Vested Share Options outstanding with the rights to subscribe for 29,804,000 Shares (or 2,980,400 Consolidated Shares upon the Share Consolidation becoming effective) and the Convertible Notes outstanding with the right to convert into 186,309,528 Shares (or 18,630,952 Consolidated Shares upon the Share Consolidation becoming effective). The minimum number of Rights Shares is arrived at assuming no new Shares will be issued after the Latest Practicable Date and up to the Record Date. The maximum number of the Rights Shares is computed based on three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date, taking into account (i) the 3,417,166,100 Existing Shares in issue as at the Latest Practicable Date (or 341,716,610 Consolidated Shares upon the Share Consolidation becoming effective); and (ii) the 21,611,352 new Consolidated Shares which may be issued upon the exercise of the outstanding Vested Share Options and the conversion of the outstanding Convertible Notes in full on or prior to the Latest Lodging Date.

The minimum number of 1,025,149,830 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 3 times of the existing issued share capital of the Company of 341,716,610 Consolidated Shares (assuming the Share Consolidation has become effective) and 75% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The maximum number of 1,089,983,886 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 3 times of the issued share capital of the Company of 363,327,962 Consolidated Shares (assuming the Share Consolidation has become effective) as enlarged by the exercise of the outstanding Vested Share Options and the conversion of the outstanding Convertible Notes in full and 75% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue, assuming the new Consolidated shares are issued upon the exercise of the outstanding Vested Share Options and the conversion of the outstanding Convertible Notes in full on or prior to the Latest Lodging Date.

As at the Latest Practicable Date, save for the outstanding Vested Share Options and the Convertible Notes as detailed above and the outstanding Unvested Share Options, the Company has no other outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into the Shares.

Subscription Price

The Subscription Price of HK\$0.20 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

LETTER FROM THE BOARD

The Subscription Price represents:

- (i) a discount of 87.5% to the closing price of HK\$1.60 per Share as quoted on the Stock Exchange on the Last Trading Day, after adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 87.0% to the average closing price of approximately HK\$1.54 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day, after adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 87.0% to the average closing price of approximately HK\$1.54 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day, after adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 63.6% to the theoretical ex-rights price of approximately HK\$0.55 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day, after adjusted for the effect of the Share Consolidation;
- (v) a discount of approximately 76.5% to the closing price of HK\$0.85 per Share as quoted on the Stock Exchange on the Latest Practicable Date, after adjusted for the effect of the Share Consolidation; and
- (vi) a discount of approximately 85.5% to the unaudited consolidated net tangible asset value per Share of approximately HK\$1.38 (based on the latest published unaudited consolidated net tangible asset value of the Group attributable to the Shareholders of approximately HK\$469.9 million as at 30 September 2012 and 3,417,166,100 Shares in issue as at the Latest Practicable Date, after adjusted for the effect of the Share Consolidation).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the financial performance and underlying value of the Company, the recent market prices of the Shares under the prevailing market conditions at the date of entering into the Underwriting Agreement and the effect of the Share Consolidation. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Board (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee set out on pages 33 and 34 of this circular) considers the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu with the then existing Shares in issue on the date of allotment and issue of the Rights Shares in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares.

LETTER FROM THE BOARD

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company as at the close of business on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares or Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on Thursday, 10 January 2013. It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis will be Tuesday, 8 January 2013 and the Consolidated Shares will be dealt with on an ex-rights basis from Wednesday, 9 January 2013.

Holders of the outstanding Vested Share Options and the outstanding Convertible Notes who wish to participate in the Rights Issue should exercise their Share Options or convert the Convertible Notes in accordance with the terms of the share option scheme and the deed of the Convertible Notes respectively so as to enable them to be registered as members of the Company on the Record Date.

The Company will send the Prospectus Documents to the Qualifying Shareholders on the Despatch Date. The Company will send only the Prospectus to the Excluded Shareholders (if any) for information purpose on the same date.

Excluded Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Company will make enquiries as to whether the issue of the Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of the nil-paid Rights Shares or allotment of the fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information purpose only.

Arrangements will be made for as much as possible of the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

LETTER FROM THE BOARD

Closure of register of members

The register of members of the Company will be closed from Friday, 11 January 2013 to Tuesday, 15 January 2013 (both days inclusive). No transfers of the Shares or the Consolidated Shares will be registered during this period.

Fractional entitlement to the Rights Shares

On the basis of provisional allotment of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Application for excess Rights Shares

The Company has decided that no excess applications will be available for the Qualifying Shareholders to make applications to subscribe for any Rights Share provisionally allotted but not taken up by the allottees (or their renounees) having considered that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's future development by subscribing for his/her/its proportionate entitlement under the Rights Issue and there will be dealing of nil-paid Rights Shares on the Stock Exchange.

The Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders (or their renounees) will be underwritten by the Underwriter as described in the section headed "Underwriting and sub-underwriting arrangements for the Rights Issue" below. As at the Latest Practicable Date, save for the Irrevocable Undertakings given by Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav to take up all the Rights Shares to be offered to them and their respective associates under the Rights Issue, the Board has not received any information from any substantial Shareholders of their intention to take up the Rights Shares allotted or to be provisionally allotted to them.

Application for listings

The Company will apply to the Listing Committee for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Consolidated Shares, i.e. 5,000 Consolidated Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty and other application fees in Hong Kong.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares (in both nil-paid and fully-paid forms) on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Share certificates for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by Thursday, 7 February 2013 by ordinary post at their own risk.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following being fulfilled or waived:

- (a) the publication of the Announcement by the Company in accordance with the Listing Rules on the date of the Underwriting Agreement or as soon as practicable in compliance with the Listing Rules;
- (b) the despatch of the circular issued by the Company to the Shareholders by the date of despatch of the circular and convening the SGM on the date of SGM;
- (c) the Capital Reorganisation having been duly approved by way of ordinary resolution(s) passed by the Shareholders (other than those Shareholders, if any, who are required to abstain from voting) at the SGM on the date of SGM (and become effective not later than the first day of dealings in nil-paid Rights Shares on the Stock Exchange) in accordance with the Listing Rules, the Bye-laws and the applicable law;
- (d) the Rights Issue (and the transactions contemplated thereunder) having been duly approved by way of ordinary resolution(s) passed by the Shareholders (other than those Shareholders, if any, required to abstain from voting) at the SGM, in accordance with the Listing Rules, the Bye-laws and the applicable law;
- (e) the Prospectus (with all documents required to be attached thereto by section 342C of the Companies Ordinance) and the PAL (all having been duly authorised for registration by the Stock Exchange and certified by any 2 Directors or their respective authorised agents) having been delivered to the Registrar of Companies in Hong Kong for registration in compliance with the Companies Ordinance on or before the date of the Prospectus;
- (f) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the date of the Prospectus;
- (g) the Listing Committee granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), either unconditionally or subject to such conditions as the Underwriter may in its absolute discretion accept and the satisfaction of such conditions (if any and where relevant) before 8:00 a.m. on the first date of dealings in nil-paid Rights Shares and not having withdrawn or revoked such listing and permission before 8:00 a.m. on the first date of dealings in the Rights Shares;
- (h) the Irrevocable Undertakings having been duly complied with in all respects;

LETTER FROM THE BOARD

- (i) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof; and
- (j) the Shares and, in relation to any time after the Capital Reorganisation has taken effect, the Consolidated Shares remaining listed on the Stock Exchange at all times prior to the first date of dealings in the Rights Shares and the listing of the Shares and, in relation to any time after the Capital Reorganisation has taken effect, of the Consolidated Shares not having been withdrawn and no indication being received before 8:00 a.m. on the first date of dealings in the Rights Shares from the Stock Exchange to the effect that (i) such listing may be withdrawn or objected to (or conditions will or may be attached thereto) and/or (ii), without prejudice to the generality of (i), the Company is considered by the Stock Exchange that it has failed to meet or would no longer be able to meet the minimum public float requirements under the Listing Rules as a result of the Rights Issue or transactions contemplated thereunder or in connection with the Underwriting Agreement or for any other reason attributable to the Company or the Underwriter or the Sub-Underwriters.

The conditions above are not waiveable by any parties if and to the extent that it would result in any parties hereto breaching provisions of the Listing Rules, the Bye-laws and other applicable law. If any of the above conditions has not been fulfilled or (where so permitted thereunder) waived by the Underwriter on or before the relevant time/dates and in any event by 28 February 2013 in all respects, the obligations of the Underwriter and the Company shall cease and determine and no party shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under the Underwriting Agreement. Neither the Company nor the Underwriter has any intention to waive any of the conditions above. As at the date of the Latest Practicable Date, the abovementioned condition (a) and (b) (in relation to despatch of this circular only) have been fulfilled.

(C) UNDERWRITING AND SUB-UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

Underwriting Agreement

Date:

27 November 2012

Parties:

- (i) The Company (as issuer); and
- (ii) The Underwriter (as underwriter).

Number of the Underwritten Shares:

Not more than 543,194,196 Rights Shares, being the maximum number of the Rights Shares under the Rights Issue originally contemplated excluding 546,843,690 Rights Shares (assuming all Vested Share Options held by Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav and their respective associates are exercised before the Record Date) undertaken to be subscribed by Mr. Eav, Mr. Henry Duong and Mr.

LETTER FROM THE BOARD

Kinson Eav and their respective associates pursuant to the Irrevocable Undertakings and to the extent that the Company will maintain the requirement of 25% “public float” under to the Listing Rules (assuming all of the 2,998,400 new Consolidated Shares and 18,630,952 new Consolidated Shares are issued upon the exercise of the outstanding Vested Share Options and the conversion of the outstanding Convertible Notes respectively in full on or prior to the Record Date and based on the 3,417,166,107 Shares in issue as at the date of the Underwriting Agreement (or 341,716,610 Consolidated Shares upon the Share Consolidation becoming effective)).

Underwriting commission:

The Underwriter will charge commission of 2.0% of the aggregate Subscription Price of the Underwritten Shares for which the Underwriter has agreed to subscribe or procure subscription. It is acknowledged that the Underwriter shall pay, out of the above commission, commission to the Sub-Underwriters as agreed amongst themselves.

Subscription Price:

HK\$0.20 per Rights Share

The Underwriter has sole obligation under the Underwriting Agreement. It is not in the ordinary and usual course of business for the Underwriter to underwrite issues of securities.

Irrevocable Undertakings from Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav

Each of Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav has given the Irrevocable Undertaking to the Company on 27 November 2012 that:

- (1) he will not dispose of or procure the disposal of all or part of his Shares (including the additional Shares as a result of exercise of the Vested Share Options between the date thereof and the Record Date), directly or indirectly through his associates, prior to the Record Date; and
- (2) he will himself, and procure his associates to, take up and pay for, on or before 4:00 p.m. on the Latest Acceptance Date on and subject to the terms of the Prospectus Documents, all the Rights Shares to be offered by the Company in respect of the full entitlements of himself and his associates under the Rights Issue and that such payment will be made to the Company in accordance with the instructions for acceptance contained in the Prospectus Documents.

Underwriting commitment of the Underwriter

The Rights Issue will be fully underwritten by the Underwriter other than the Rights Shares undertaken to be taken up by Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav and their respective associates pursuant to the Irrevocable Undertakings.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriter reserves the right, to terminate the Underwriting Agreement, prior to the Latest Termination Time, if any of the below occurs prior to the Latest Termination Time:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement is untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (b)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
 - (vi) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which event or events is or are in the reasonable opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares “taken up”; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then and in such case, the Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing to the Company terminate the Underwriting Agreement.

LETTER FROM THE BOARD

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not become unconditional and therefore will not proceed.

Sub-underwriting arrangements

On 27 November 2012, the Underwriter entered into sub-underwriting arrangements with four independent third parties (not being connected persons of the Company) as the Sub-Underwriters primarily to maintain the public float of the Company in compliance with the Listing Rules. Under such sub-underwriting arrangements amongst the Underwriter and the Sub-Underwriters, the Underwriter shall subscribe for (and, amongst the Underwriter and the Sub-Underwriters themselves, be entitled to subscribe in priority to all of the Sub-Underwriters for) the Underwritten Shares not taken up as and to the fullest extent permitted by Rules 8.08(1)(a) and 13.32(1) of the Listing Rules. The Sub-Underwriters agreed to subscribe or procure the subscription of the balance of the Underwritten Shares which are not taken up by the allottees (or their renounees) and the Underwriter. The Underwritten Shares sub-underwritten by the Sub-Underwriters shall not be more than 272,509,472 Rights Shares (representing approximately 25% of the original maximum number of Rights Shares under the Rights Issue at the date of entering into the sub-underwriting arrangement of 1,090,037,886 Right Shares) in total, which are allocated amongst the four Sub-Underwriters themselves in the percentages of 50%; 19%; 19% and 12% respectively in accordance with the provisions of the Underwriting Agreement. The Sub-Underwriters shall procure that each of the subscribers together with their respective associates will not become a substantial shareholder of the Company or together with their respective parties acting in concert own 30% or more of the issued share capital of the Company immediately after the Rights Issue; and that they shall procure their independent subscribers to take up such number of Rights Shares as are necessary for the Company to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

(D) WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional upon the fulfillment or waiver of the conditions set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “(B) Proposed Rights Issue” in this letter. In particular, the Rights Issue is conditional upon, among other things:

- (i) the Listing Committee granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), either unconditionally or subject to such conditions as the Underwriter may in its absolute discretion accept and the satisfaction of such conditions (if any and where relevant) before 8:00 a.m. on the first date of dealings in nil-paid Rights Shares and not having withdrawn or revoked such listing and permission before 8:00 a.m. on the first date of dealings in the Rights Shares; and
- (ii) the obligations of the Underwriter under the Underwriting Agreement not being terminated in accordance with its terms (as set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “(C) Underwriting and sub-underwriting arrangements for the Rights Issue” in this letter).

LETTER FROM THE BOARD

If the conditions of the Rights Issue are not fulfilled or are not waived or if the Underwriter exercises its right to terminate the Underwriting Agreement pursuant to the terms therein, the Rights Issue will not proceed.

Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between Friday, 18 January 2013 to Friday, 25 January 2013 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

(E) CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; and (iii) immediately upon completion of the Rights Issue under various scenarios:

	(i) As at the Latest Practicable Date		(ii) upon completion of the Share Consolidation	
	<i>No. of Shares</i>	<i>Approx. % of issued Shares</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % of issued Consolidated Shares</i>
Shareholders				
Eav Family	1,819,312,305	53.24%	181,931,230	53.24%
Covenhills (as a substantial Shareholder)	485,104,860	14.20%	48,510,486	14.20%
Other Directors (<i>Note</i>)	–	–	–	–
Sub-total	2,304,417,165	67.44%	230,441,716	67.44%
Public Shareholders				
Covenhills (as a public Shareholder)	–	–	–	–
Other Shareholders	1,112,748,935	32.56%	111,274,894	32.56%
Sub-Underwriters	–	–	–	–
Sub-total	1,112,748,935	32.56%	111,274,894	32.56%
Total	3,417,166,100	100.00%	341,716,610	100.00%

LETTER FROM THE BOARD

(iii) (a) Assuming none of the outstanding Share Options is exercised and none of the outstanding Convertible Notes is converted on or before 4:30 p.m. on the Latest Lodging Date:

	(1) Upon completion of the Capital Reorganisation and the Rights Issue assuming (i) full acceptance by the Eav Family under the Rights Issue; and (ii) nil acceptance under Rights Issue by other Shareholders		(2) Upon completion of the Capital Reorganisation and the Rights Issue assuming (i) full acceptance by the Eav Family and Covenhills under the Rights Issue; and (ii) nil acceptance under Rights Issue by other Shareholders		(3) Upon completion of the Capital Reorganisation and the Rights Issue assuming full acceptance by all Shareholders under the Rights Issue	
	<i>No. of Consolidated Shares</i>	<i>Approx. % of issued Consolidated Shares</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % of issued Consolidated Shares</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % of issued Consolidated Shares</i>
Shareholders						
Eav Family	727,724,920	53.24%	727,724,920	53.24%	727,724,920	53.24%
Underwriter	297,424,910	21.76%	103,382,966	7.56%	-	-
Sub-total	1,025,149,830	75.00%	831,107,886	60.80%	727,724,920	53.24%
Covenhills (as a substantial Shareholder)	-	-	194,041,944	14.20%	194,041,944	14.20%
Other Directors (<i>Note</i>)	-	-	-	-	-	-
Sub-total	1,025,149,830	75.00%	1,025,149,830	75.00%	921,766,864	67.44%
Public Shareholders						
Covenhills (as a public Shareholder)	48,510,486	3.55%	-	-	-	-
Other Shareholders	111,274,894	8.14%	111,274,894	8.14%	445,099,576	32.56%
Sub-Underwriters	181,931,230	13.31%	230,441,716	16.86%	-	-
Sub-total	341,716,610	25.00%	341,716,610	25.00%	445,099,576	32.56%
Total	1,366,866,440	100.00%	1,366,866,440	100.00%	1,366,866,440	100.00%

LETTER FROM THE BOARD

(iii) (b) Assuming all of the outstanding Vested Share Options are exercised and all of the outstanding Convertible Notes are converted on or before 4:30 p.m. on the Latest Lodging Date:

	(1) Upon completion of the Capital Reorganisation and assuming all of the outstanding Vested Share Options are exercised and all of the outstanding Convertible Notes are converted on or before 4:30 p.m. on the Latest Lodging Date		(2) Upon completion of the Capital Reorganisation and the Rights Issue assuming (i) full acceptance by the Eav Family under the Rights Issue; and (ii) nil acceptance by other Shareholders under Rights Issue		(3) Upon completion of the Capital Reorganisation and the Rights Issue assuming (i) full acceptance by the Eav Family and Covenhills under the Rights Issue; and (ii) nil acceptance by other Shareholders under Rights Issue		(4) Upon completion of the Capital Reorganisation and the Rights Issue assuming full acceptance by all Shareholders under the Rights Issue	
	No. of Consolidated Shares	Approx. % of issued Shares	No. of Consolidated Shares	Approx. % of issued Shares	No. of Consolidated Shares	Approx. % of issued Shares	No. of Consolidated Shares	Approx. % of issued Shares
Shareholders								
Eav Family	182,281,230	50.17%	729,124,920	50.17%	729,124,920	50.17%	729,124,920	50.17%
Underwriter	-	-	360,100,566	24.78%	166,058,621	11.43%	-	-
Sub-total	182,281,230	50.17%	1,089,225,486	74.95%	895,183,541	61.60%	729,124,920	50.17%
Covenhills (as a substantial Shareholder)	48,510,486	13.35%	-	-	194,041,944	13.35%	194,041,944	13.35%
Other Directors (Note)	758,400	0.21%	758,400	0.05%	758,400	0.05%	3,033,600	0.21%
Sub-total	231,550,116	63.73%	1,089,983,886	75.00%	1,089,983,885	75.00%	926,200,464	63.73%
Public Shareholders								
Covenhills (as a public Shareholder)	-	-	48,510,486	3.34%	-	-	-	-
Other Shareholders	131,777,846	36.27%	131,777,846	9.07%	131,777,846	9.07%	527,111,384	36.27%
Sub-Underwriters	-	-	183,039,630	12.59%	231,550,117	15.93%	-	-
Sub-total	131,777,846	36.27%	363,327,962	25.00%	363,327,963	25.00%	527,111,384	36.27%
Total	363,327,962	100.00%	1,453,311,848	100.00%	1,453,311,848	100.00%	1,453,311,848	100.00%

Note: "Other Directors" are the Directors other than Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav.

LETTER FROM THE BOARD

(F) REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

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

The gross proceeds from the Rights Issue are expected to be not less than approximately HK\$205.0 million but not more than approximately HK\$218.0 million before expenses. The net proceeds from the Rights Issue, after deducting the expenses of approximately HK\$4.2 million, are estimated to be not less than approximately HK\$200.8 million but not more than approximately HK\$213.8 million. The net Subscription Price per Rights Share is expected to be approximately HK\$0.196.

As stated in the interim results announcement of the Company for the six months ended 30 September 2012, the Group's consolidated turnover amounted to approximately HK\$577.5 million, representing an increase of 11% (2011: 12%) from approximately HK\$518.7 million in the same period last year due to the increase in the number of stores in Hong Kong which was slightly offset by the decrease in the Group's turnover in the PRC. The Group's average same store sales for the reporting period decreased by approximately 18% over the corresponding period when excluded existing flagship store in Beijing. Gross profit margin dropped approximately 2.7% to approximately 29.2% due to intense market competition. Distribution costs increased by approximately 51% to HK\$210.1 million mainly due to the increase in rental expenses and depreciation charges incurred in launching the Group's new flagship store in Beijing and new stores in Hong Kong and the PRC. For the six months ended 30 September 2012, the Group reported a net loss attributable to the Shareholders of approximately HK\$67.6 million. Against this background, the Directors (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee set out on pages 33 and 34 of this circular) consider that it is in the interests of the Group and the Shareholders as a whole to strengthen the Group's financial position by reducing its gearing level and interest expenses and to enlarge its capital base by way of the Rights Issue, which will also enable all Shareholders (other than the Excluded Shareholders) the opportunity to participate and maintain their respective pro-rata shareholding interests in the Company. As such, the net proceeds of the Rights Issue is intended to be applied by the Group towards the repayment of the indebtedness of approximately HK\$110.0 million and the remaining balance for general working capital (mainly used in procurement of watch inventories). As set out in the indebtedness statement in appendix I to this circular, the Group had outstanding borrowings of approximately HK\$385.0 million as at the date of indebtedness of 9 November 2012 (the "**Indebtedness Date**"). Among the approximately HK\$385.0 million, approximately HK\$145.5 million were due within six months from the date of Indebtedness Date. Among the aforesaid approximately HK\$145.5 million, (i) bank loans of approximately HK\$31.1 million will be repayable during the period from 28 December 2012 to 27 February 2013; (ii) bank loans of approximately HK\$19.5 million will be repayable during the period from 29 November 2012 to 28 February 2013; (iii) bank loans of approximately HK\$62.6 million will be repayable during the period from 31 December 2012 to 4 March 2013; (iv) bank loans of approximately HK\$31.4 million was repaid on 15 November 2012; and (v) the Convertible Notes of approximately HK\$0.9 million will be repayable on 31 December 2012. It is expected that approximately HK\$110.0 million from the net proceeds of the Rights Issue will be applied towards the repayment of the aforesaid borrowings of HK\$145.5 million. In addition, it is expected that the Group will apply part of the remaining net proceeds of the Rights Issue to procure additional watch inventories to cope with the demand for (i) sufficient inventories for a new store to be opened in the mid 2013 in Hong Kong; and (ii) peak season's purchase during the Chinese New Year holidays. As the lead-time for purchase order of watch inventories is within weeks, the Company has not yet placed any order for the aforesaid additional inventories as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee set out on pages 33 and 34 of this circular) consider that the terms and conditions of the Rights Issue (and the transactions contemplated thereunder) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(G) FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted other equity fund raising exercise in the 12 months immediately preceding the date of the Announcement.

(H) PROPOSED SHARE CONSOLIDATION

Background

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 comprising 5,000,000,000 Shares of par value of HK\$0.02 each, of which 3,417,166,100 Shares have been issued and fully paid. The issued share capital of the Company is HK\$68,343,322. The Board proposed to put forward the Share Consolidation to the effect that every ten (10) issued and unissued Shares of par value of HK\$0.02 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$0.20.

Effects of the Share Consolidation

On 3 December 2012, the Company made a repurchase of 7 Shares on the Stock Exchange at HK\$0.092 per Share. As the Shares repurchased shall be treated as cancelled, the Company had 3,417,166,100 issued Shares fully paid or credited as fully paid as at the Latest Practicable Date. The repurchase was made so as to enable the total number of issued Shares be divisible by 10 to implement the Share Consolidation. Upon the Share Consolidation becoming effective, on the basis that the Company does not allot and issue any further Shares prior thereto, the issued share capital of the Company will be HK\$68,343,322 represented by 341,716,610 Consolidated Shares.

The Shareholders will not be entitled to fractional entitlements to the Consolidated Shares. All the fractional entitlements arising from the Share Consolidation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company. The Consolidated Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with each other.

Implementation of the Share Consolidation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate shareholdings of the Shareholders, except for the fractional entitlements. The Share Consolidation will not result in any change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

Reasons for the Share Consolidation

The Share Consolidation is expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Share and an increase in trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the Consolidated Shares. The Share Consolidation will provide greater flexibility for equity fund raising of the Company in the future. As at the Latest Practicable Date, the Company has no intention for further equity funding raising after the Rights Issue.

In view of the above, the Board believes that the Share Consolidation is beneficial to the Company and the Shareholders as a whole.

Conditions of the Share Consolidation

The Share Consolidation is conditional on:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the SGM;
- (ii) compliance with the relevant legal procedures and requirements under the Listing Rules and the Companies Act to effect the Share Consolidation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

Expected effective date of the Share Consolidation

Subject to the above conditions being fulfilled, the Share Consolidation is expected to become effective on Tuesday, 8 January 2013.

Listing and dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Consolidated Shares, when allotted, issued and fully paid, will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Odd lot arrangement

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed an agent, Enhanced Securities Limited, to stand in the market to provide matching services for the odd lots of the Consolidated Shares for the period from 9:00 a.m. on Tuesday, 22 January 2013 to 4:00 p.m. on Thursday, 14 February 2013 (both days inclusive). Shareholders should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares would be made on a best effort basis but would not be guaranteed. Holders of odd lots of the Consolidated Shares who wish to take advantage of this matching service either to dispose of their odd lots Consolidated Shares or to top up to board lots of 5,000 Consolidated Shares, may contact Mr. Ho Sin Cheung of Enhanced Securities Limited at 37/F., Times Tower, 393 Jaffe Road, Hong Kong at telephone number (852) 2836 2128 or by fax at (852) 2893 1277 during this period. Any Shareholders, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its professional advisers.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, the Shareholders may submit share certificates for the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between Tuesday, 8 January 2013 and Tuesday, 19 February 2013 (both days inclusive) during business hours, to exchange, at the expense of the Company, for new share certificates of the Consolidated Shares.

Thereafter, certificates for the 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 allowed by the Stock Exchange) for each share certificate of the Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever number of share certificates cancelled or issued is higher. The certificates for the Shares will be valid in the form of existing certificates for trading and settlement up to 4:00 p.m. on Thursday, 14 February 2013, being the latest time for trading in board lots of 500 Consolidated Shares (or such other date which will be announced by the Company) but will continue to be good evidence of legal title and may be exchanged for certificates of the Consolidated Shares at any time in accordance with the foregoing.

The new share certificate will be in the colour of red in order to distinguish them from the existing share certificates which are light gold in colour.

(I) PROPOSED SHARE CAPITAL INCREASE

Upon the Share Consolidation becoming effective, the Directors propose to increase the authorised share capital of the Company from HK\$100,000,000 divided into 500,000,000 Consolidated Shares of par value HK\$0.20 each (resulting from the Share Consolidation) to HK\$500,000,000 divided into 2,500,000,000 Consolidated Shares of par value HK\$0.20 each, so as to make available sufficient authorised but unissued Consolidated Shares for the allotment and issue of other new Consolidated Shares, including the Rights Shares, in the future. The proposed Share Capital Increase is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM. Subject to such condition being fulfilled, the proposed Share Capital Increase is expected to become effective on Tuesday, 8 January 2013.

LETTER FROM THE BOARD

Save as disclosed in this circular and the issuance of new Shares (or Consolidated Shares) to be issued on conversion of the outstanding convertible securities of the Company as at the Latest Practicable Date, the Directors have no present intention of issuing any part of share capital of the Company.

(J) BUSINESS REVIEW OF THE GROUP

For the six months ended 30th September 2012, the Group's consolidated turnover amounted to HK\$577.5 million, representing an increase of 11% (2011: 12%) from HK\$518.7 million in the same period last year due to the increase in the number of stores in Hong Kong which was slightly offset by the decrease in turnover in the PRC. The average same store sales for the reporting period decreased 18% over the corresponding period when excluded existing flagship store in Beijing. Gross profit margin dropped 2.7% to 29.2% due to intense market competition.

Distribution costs increased by 51% to HK\$210.1 million mainly due to the increase in rental expenses and depreciation charges incurred in launching the Group's new flagship store in Beijing and new stores in Hong Kong and the PRC. Administrative expenses amounted to HK\$20.5 million which was comparable to last year. Other expenses decreased by HK\$5.0 million in this period was due to the decrease in unrealised loss on trade securities valued at fair value. No revaluation on investment properties was done in this period while the Group had made valuation gains of HK\$20.3 million in last year. Finance costs increased by HK\$7.5 million in this period due to the increase in bank loans and loans from a Director as compared with last year.

Liquidity and financial resources

As at 30 September 2012, the Group's total cash balance amounted to HK\$46,439,000 (31 March 2012: HK\$90,111,000). The decrease was mainly due to increase in inventories. Gearing ratio of the Group, expressed as a ratio of net debt over total equity, was 62% as at 30 September 2012 (31 March 2012: 43%).

Foreign exchange risks

The Group views its main currencies as Hong Kong dollars, Renminbi and Swiss Francs. The Group monitors its exposure to foreign exchange risks and, when it considers necessary and appropriate, will hedge its foreign exchange risks by using financial instruments. The Company had not entered into any hedging instruments as at the Latest Practicable Date.

(K) FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The PRC has experienced slowdown in the economy after years of growth. Despite the economic adjustment, the Board believes that there is cautious optimism over China's domestic demand for luxury foreign goods as supported by the Government's continued efforts to grow its domestic consumption and inland economy. The Group's retail strategy is to retain its core presence in China to leverage the consumption demand from super-rich and the emerging middle-class which has been growing in size and wealth, with cautious selection of retail door development in Hong Kong.

LETTER FROM THE BOARD

The Group has adopted a moderate and prudent approach to develop the Group's retail business outlets in line with market demand in order to maximize the Group's investment returns upon opening of new outlets. An aggressive review and pruning of existing retail stores is being conducted to close down outlets which are below the Group's performance expectation due to change in market demand and soaring rental. Such measures are implemented to enhance the quality of the Group's retail outlets and focus the Group's core strategy on fewer selective niche sites with potential to outperform when the economy regains its momentum. Being a foreign-owned watch retailer in China since 1992, the Group continues to collaborate with leading prestigious Swiss brands to foster win-win business partnership, and enrich its merchandising assortments. The Group has also tightened its inventory control to optimise working capital.

With the completion of the merchandising selection of internationally renowned premier watch brands, the Group's 3,000 square meters Timecity flagship store in Beijing, which was opened in December 2011, has shown promising revenue growth. This Beijing store is stepping up its market position and competitiveness as it is leveraging on the Group's customer loyalty program which strengthens progressively since the project kick-off last year, with the coming opening of the VIP lounge in the flagship store.

As the Company believes that Hong Kong will remain a preferable shopping destination for Mainland Chinese visitors, the Group's development strategy is to select strategic prime locations with high pedestrian traffic flow to expand the market share. A prominent site in the renowned shopping area of Canton Road has been secured as the Group's new store is expected to open in mid 2013. The new Canton Road store will offer premier watch brands to capture greater sales from both local shoppers and Mainland Chinese visitors.

The Group is considering proposals to raise fund, being the Rights Issue, in order to enhance the Group's financial strength and provide the working capital for store development needs. As the Group has committed efforts on strengthening management structure and implementing best practices, the Group is paving the way to improve shareholder value after going through a period of internal consolidation and economic challenges.

(L) SGM

Since the Rights Issue will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of the Announcement, the Rights Issue is conditional on the approval by the Independent Shareholders at the SGM by an ordinary resolution on which the controlling Shareholder, being the Eav Family, which held approximately 53.24% issued share capital of the Company as at the Latest Practicable Date, is required to abstain from voting in favour of the Rights Issue. Moreover, the Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders (or their renounees) will be underwritten by the Underwriter as described in the section headed "Underwriting and sub-underwriting arrangements for the Rights Issue" above. Since no excess applications for the Rights Shares and no arrangements to dispose of the Rights Shares not subscribed by allottees under the PAL in the market, if possible, for the benefits of the persons to whom they were offered by way of rights as contemplated by Rule 7.21(1) of the Listing Rules are available and the Underwriter is a substantial Shareholder, the absence of an excess application procedure and such disposal arrangements under the Rights Issue must be specifically approved by the Independent Shareholders at the SGM in compliance with the Listing Rules.

LETTER FROM THE BOARD

In accordance with the Bye-Laws, the Capital Reorganisation will be subject to the approval by the Shareholders at the SGM.

The voting at the SGM must be taken by way of a poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

(M) NOTICE OF THE SGM

Set out on pages SGM-1 to SGM-4 of this circular is a notice of the SGM to be held at Qin, Han Room, Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 7 January 2013 at 10:00 a.m. at which resolutions will be proposed to approve, among other things, the Rights Issue (and the transactions contemplated thereunder) and Capital Reorganisation. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Registrar as soon as practicable and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

(N) RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue (and the transactions contemplated thereunder) are fair and reasonable as far as the Independent Shareholders are concerned and the Rights Issue (and the transactions contemplated thereunder) is in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM. Veda Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 33 and 34 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue (and the transactions contemplated thereunder), and the letter from the Independent Financial Adviser set out on pages 35 to 53 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned and the Rights Issue (and the transactions contemplated thereunder) is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution relating to the Rights Issue (and the transactions contemplated thereunder) at the SGM.

The Directors (as for the Rights Issue, excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee set out on pages 33 and 34 of this circular) believe that the terms of the Rights Issue (and the transactions contemplated thereunder) and the Capital Reorganisation are fair and reasonable and the Rights Issue (and the transactions contemplated

LETTER FROM THE BOARD

thereunder) is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (as for the Rights Issue, excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee set out on pages 33 and 34 of this circular) recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

(O) ADJUSTMENTS TO EXERCISE PRICES AND NUMBER OF THE SHARE OPTIONS AND THE CONVERSION PRICE OF THE CONVERTIBLE NOTES

Adjustments to the exercise prices and number of the outstanding Share Options and the conversion price of the Convertible Notes may be required under the relevant terms of the Share Options scheme and the instrument of the Convertible Notes. Further announcement will be made in this regard if deemed appropriate and necessary.

(P) ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
ASIA COMMERCIAL HOLDINGS LIMITED
CHENG KA CHUNG
Company Secretary



ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

18 December 2012

To the Independent Shareholders,

Dear Sir or Madam,

**PROPOSED OFFER OF NEW CONSOLIDATED SHARES
BY WAY OF A RIGHTS ISSUE OF
NOT LESS THAN 1,025,149,830 RIGHTS SHARES AND
NOT MORE THAN 1,089,983,886 RIGHTS SHARES
IN THE PROPORTION OF THREE RIGHTS SHARES FOR
EVERY ONE CONSOLIDATED SHARE HELD
ON THE RECORD DATE AT HK\$0.20 PER RIGHTS SHARE**

We refer to the circular of Asia Commercial Holdings Limited dated 18 December 2012 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the members of the Independent Board Committee to consider the Rights Issue (and the transactions contemplated thereunder) and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve the Rights Issue (and the transactions contemplated thereunder). Veda Capital Limited has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, and the letter from the Independent Financial Adviser as set out in the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms of the Rights Issue (and the transactions contemplated thereunder) with the principal factors and reasons for its advice and recommendation.

* For identification only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the Rights Issue (and the transactions contemplated thereunder) are fair and reasonable as far as the Independent Shareholders are concerned and the Rights Issue (and the transactions contemplated thereunder) is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Rights Issue (and the transactions contemplated thereunder).

Yours faithfully,

Independent Board Committee

Wong Wing Yue, Rosaline

Lai Si Ming

Lee Tat Cheung, Vincent

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3214, 32/F., COSCO Tower
183 Queen's Road Central, Hong Kong

18 December 2012

*To the Independent Board Committee and the Independent Shareholders of
Asia Commercial Holdings Limited*

Dear Sir,

**PROPOSED OFFER OF NEW CONSOLIDATED SHARES
BY WAY OF A RIGHTS ISSUE OF
NOT LESS THAN 1,025,149,830 RIGHTS SHARES AND
NOT MORE THAN 1,089,983,886 RIGHTS SHARES
IN THE PROPORTION OF THREE RIGHTS SHARES FOR
EVERY ONE CONSOLIDATED SHARE
HELD ON THE RECORD DATE
AT HK\$0.20 PER RIGHTS SHARE**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) in the Company’s circular dated 18 December 2012 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 27 November 2012, the Board proposed to raise not less than approximately HK\$205.0 million but not more than approximately HK\$218.0 million before expenses by way of the Rights Issue to the Shareholders. The Rights Issue originally contemplated would involve the issue of not less than 1,025,149,830 Rights Shares and not more than 1,090,037,886 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share on the basis of three (3) Rights Shares for every one (1) Consolidated Share in issue on the Record Date. Since the Announcement, 180,000 Vested Share Options (with the rights to subscribe for 180,000 Shares or 18,000 Consolidated Shares upon the Share Consolidation becoming effective) have lapsed and therefore the maximum number of the Rights Shares to be issued had been reduced by 54,000 Rights Shares to 1,089,983,886 Rights Shares.

As stated in the Board Letter, the Company intends to apply the net proceeds from the Rights Issue towards the repayment of the indebtedness of approximately HK\$110.0 million and the remaining balance for general working capital (mainly used in procurement of watch inventories).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav have irrevocably undertaken to subscribe for the Rights Shares they are entitled to under the Rights Issue. The Rights Issue is fully underwritten by the Underwriter aside from those under the undertakings given by Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav.

Since the Rights Issue will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of the Announcement, the Rights Issue is conditional on the approval by the Independent Shareholders at the SGM by an ordinary resolution on which the controlling Shareholder, being the Eav Family, which holds approximately 53.24% issued share capital of the Company as at the Latest Practicable Date, is required to abstain from voting in favour of the Rights Issue. Since no excess applications for the Rights Shares are available and the Underwriter is a substantial Shareholder, the absence of an excess application procedure under the Rights Issue must be specifically approved by the Independent Shareholders at the SGM in compliance with the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lai Si Ming, Ms. Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent has been established to advise the Independent Shareholders in respect of the Rights Issue (and the transactions contemplated thereunder). Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue (and the transactions contemplated thereunder) are fair and reasonable so far as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole and as to the voting. The appointment of Veda Capital has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the SGM, Shareholders would be notified as soon as possible.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies. We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Rights Issue and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue (and the transactions contemplated thereunder) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Rights Issue (and the transactions contemplated thereunder) and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

A. Financial highlights of the Group

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

Set out below are the financial highlights of the Group showing the financial performance of the Group in the recent financial periods:

1. For the six months ended 30 September 2012

As set out in the unaudited interim result announcement (“**Interim Result Announcement**”) for the six months ended 30 September 2012, the Group reported an unaudited total turnover of approximately HK\$577.53 million, representing an increase of approximately 11.33%, as compared to unaudited turnover for the six months ended 30 September 2011 of approximately HK\$518.75 million. As set out in the Interim Result Announcement, the increase in turnover was due to the increase in the number of stores in Hong Kong which was slightly offset by the decrease in turnover in Mainland China.

The Group recorded an unaudited loss attributable to the Shareholders for the six months ended 30 September 2012 of approximately HK\$67.63 million as compared to the profits for the six months ended 30 September 2011 of approximately HK\$23.22 million. As advised by the Company, the decrease in profits was contributed to the 51% increase in distribution costs to HK\$210.1 million due to the increase in rental expenses and depreciation charges incurred in launching the new flagship store in Beijing and new stores in Hong Kong and Mainland China.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 September 2012, the bank loans of the Group amounted to approximately HK\$281.13 million and the liabilities component of the convertibles notes which will be due and repayable in September 2013 amounted to approximately HK\$31.46 million. The total cash balance of the Group as at 30 September 2012 amounted to approximately HK\$46.44 million.

2. *For the year ended 31 March 2012*

As set out in the 2012 annual report of the Company (“**AR 2012**”) for the year ended 31 March 2012, the Group reported an audited total turnover of approximately HK\$1,036.25 million as compared to the restated turnover for the year ended 31 March 2011 of approximately HK\$1,035.33 million, representing a slight increase of approximately 0.089%. As advised by the Company, the restatement was just confined to the income tax figure due to the compliance of the accounting standard. Further advised by the Company, the increase in turnover was due to the additional turnover derived from the new POSs (Point-of-sale) in Hong Kong which was partly offset by the decrease in turnover in PRC due to the dramatic scale down of the old flagship store in Beijing as a result of the shopping center redevelopment.

The Group recorded an audited loss attributable to the Shareholders for the year ended 31 March 2012 of approximately HK\$60.77 million as compared to the restated profit for the year ended 31 March 2011 of approximately HK\$97.45 million. As noted from the AR 2012, the record of loss was mainly due to the set up of the new flagship store in Beijing and the coming POS in Xian, which in total recorded a loss of HK\$41.00 million, and the three new POSs in Hong Kong which recorded a total loss of \$19.00 million.

3. *For the year ended 31 March 2011*

As set out in the 2011 annual report of the Company (“**AR 2011**”) for the financial year ended 31 March 2011, the Group recorded an audited turnover of approximately HK\$1,035.33 million, representing an increase of approximately 33.17% as compared to the turnover for the financial year ended 31 March 2010 of approximately HK\$777.46 million. As noted from the AR 2011, the increase in turnover was mainly attributable to the continuous growth of demand for top grade Swiss watches in the Greater China market and the fact that all POSs in mainland China and Hong Kong had achieved strong growth during the year with average same store sales growth of more than 30% as compared to the previous financial year.

The Group recorded an audited profit to the Shareholders for the year ended 31 March 2011 of approximately HK\$92.21 million as compared to the year ended 31 March 2010 of approximately HK\$51.23 million. As advised by the Company, the improvement in profit was mainly attributable to the increase in turnover and the valuation gains of HK\$32.0 million on the Group’s investment properties caused by the continued improvement of the property market in Hong Kong during the year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. Reasons for the Rights Issue

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

As set out in the Board Letter, the gross proceeds from the Rights Issue are expected to be not less than approximately HK\$205.0 million but not more than approximately HK\$218.0 million before expenses. The net proceeds from the Rights Issue are estimated to be not less than approximately HK\$200.8 million but not more than approximately HK\$213.8 million.

As noted from the Board Letter, against the financial background of the Group as at 30 September 2012 including but not limited to the net loss attributable to the Shareholders of approximately HK\$67.6 million, the Directors consider that it is in the interests of the Group and the Shareholders as a whole to strengthen the capital base of the Company and financial position of the Group and to reduce the level of gearing and interest expenses of the Group through the Rights Issue. As such, the net proceeds of the Rights Issue is intended to be applied by the Group towards the repayment of the indebtedness of approximately HK\$110.0 million and the remaining balance for general working capital (mainly used in procurement of watch inventories).

As set out in the indebtedness statement as contained in Appendix I to the Circular, we note that the total bank loans (both secured and unsecured) are approximately HK\$287.2 million, out of the total indebtedness of approximately HK\$385.02 million as at the Indebtedness Date (i.e. 9 November 2012). As noted from the Board Letter, approximately HK\$145.5 million of the total indebtedness as at the Indebtedness Date were due within six months from the Indebtedness Date. It is expected that approximately HK\$110.0 million from the net proceeds of the Rights Issue will be applied towards the repayment of the aforesaid borrowings due within six months from the Indebtedness Date. As advised by the Company, the remaining proceeds of approximately HK\$90.8 million or HK\$103.8 million (as the case may be), after repaying the aforesaid indebtedness, will be used as general working capital of the Company to cope with the up-coming purchase demand of watches due to (i) peak season's purchase during the Chinese New Year holidays; and (ii) to provide sufficient inventories for a new store to be opened in the mid 2013 in Hong Kong. As noted from the Board Letter, the Company has not yet placed any order for the aforesaid additional inventories as at the Latest Practicable Date since the lead-time for purchase order of watch inventories is within weeks.

Having considered that (i) the Group recorded net loss attributable to the Shareholders for the year ended 31 March 2012 and for the six months ended 30 September 2012; (ii) the cash balance of the Group of approximately HK\$46.44 million as at 30 September 2012 and the indebtedness of the Group of approximately HK\$385.02 million as at the Indebtedness Date (as set out in the indebtedness statement as contained in Appendix I to the Circular); (iii) the Rights Issue could substantially reduce the level of borrowings and indebtedness of the Group, in particular, repaying the indebtedness which will be due in six month's time; (iv) the Rights Issue could strengthen the capital base of the Group and enhance the financial position of the Group; and (v) to have sufficient general working capital to cope with increase in purchases demand led by the coming holidays and new store, we consider the Rights Issue is reasonable and in the interests of the Shareholders and the Company as a whole.

C. The Rights Issue

The Rights Issue is on the basis of three Rights Shares for every one Consolidated Share held by the Qualifying Shareholders on the Record Date and payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price of HK\$0.20 per Rights Share represents:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

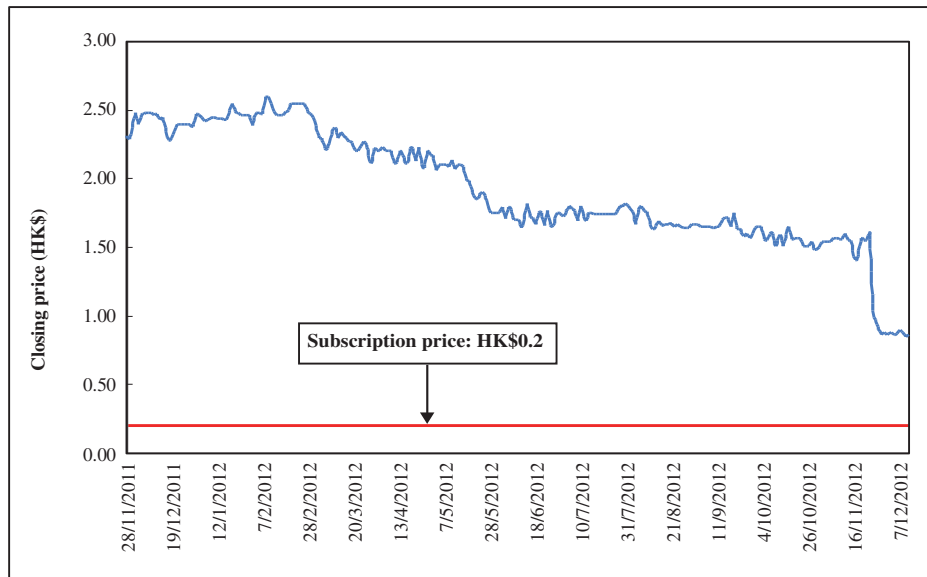
- (i) a discount of 87.5% to the closing price of HK\$1.60 per Share as quoted on the Stock Exchange on the Last Trading Day, after adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 87.0% to the average closing price of approximately HK\$1.54 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including on the Last Trading Day, after adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 87.0% to the average closing price of approximately HK\$1.54 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including on the Last Trading Day, after adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 63.6% to the theoretical ex-rights price of approximately HK\$0.55 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of 76.5% to the closing price of HK\$0.85 per Share as quoted on the Stock Exchange on the Latest Practicable Date, after adjusted for the effect of the Share Consolidation.

As stated in the Board Letter, the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the financial performance and underlying value of the Company, the recent market prices of the Shares under the prevailing market conditions at the date of entering into the Underwriting Agreement and the effect of the Share Consolidation. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Board considers that the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1. *Historical closing prices and trading volume*

We have reviewed the movements in the trading price and trading volume of the Shares during the period from 27 November 2011 (being the 12 calendar months period prior to the date of the Underwriting Agreement) to the Latest Practicable Date (the “**Review Period**”). The closing prices of the Shares during the Review Period are set out below:

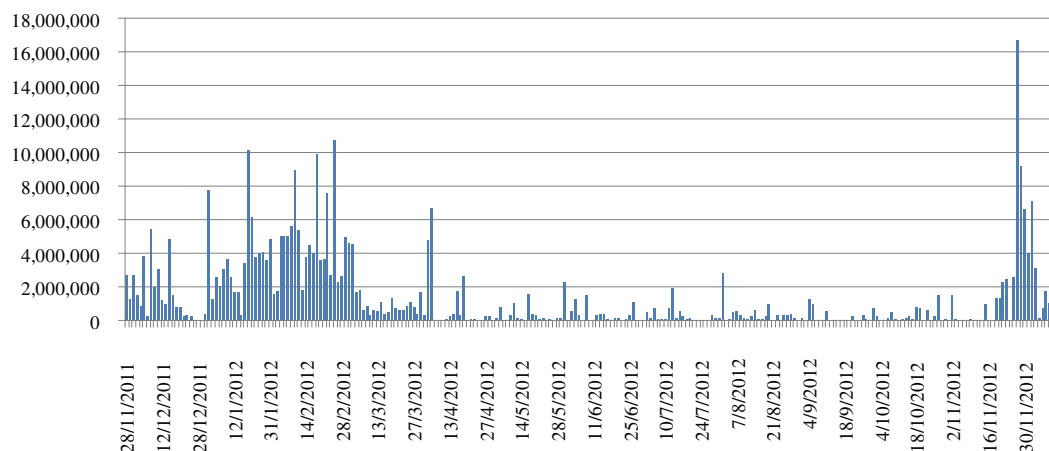


Source: website of the Stock Exchange (www.hkex.com.hk)

The adjusted closing prices of the Shares ranged from the lowest of HK\$0.85 on 13 December 2012 to the highest of HK\$2.60 on 9 February 2012 during the Review Period. The closing prices of the Shares illustrated a decreasing trend during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to the total number of issued Shares as at the Latest Practicable Date during the Review Period are illustrated as follows:



Source: website of the Stock Exchange (www.hkex.com.hk)

Month	Average daily trading volume Number of Shares	Percentage of the average daily trading volume to total number of issued Shares (note 2) Approximate %
2011		
November (note 1)	2,216,732	0.06
December	1,413,400	0.04
2012		
January	3,699,708	0.11
February	4,795,704	0.14
March	1,196,452	0.04
April	985,622	0.03
May	356,518	0.01
June	324,829	0.01
July	291,695	0.01
August	359,464	0.01
September	220,538	0.01
October	283,123	0.01
November	2,063,717	0.06
December (up to the Latest Practicable Date)	2,331,601	0.07

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The Review Period covers from 27 November 2011, as such, the average daily trading volume of the month November 2011 represents the average daily trading volume from 27 November 2011 to 30 November 2011.
2. The issued share capital of 3,417,166,100 as at the Latest Practicable Date has been taken for calculation purpose.

The above table illustrates that the average daily trading volume of the Shares per month was thin during the Review Period, with ranges from 0.01% to 0.14% of the total number of issued Shares, which we consider the trading volume had been historically inactive and the Shares were hence rather illiquid.

We note that it is a common market practice that, in order to enhance the attractiveness of a rights issue exercise and to encourage the existing shareholders to participate in the rights issue, the subscription price of a rights issue normally represents a discount to the prevailing market prices of the relevant shares. Having also considered with the decreasing trend of the market price and low liquidity trading volume of the Shares during the Review Period, we concur with the Directors that it would be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at a relatively substantial discount to the historical closing prices of the Shares. In view that the Subscription Price could attract the Qualifying Shareholders to participate in the Rights Issue, which would enable the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the future growth of the Group, we consider that the Subscription Price being set as lower than the prevailing market prices of the Shares is in line with general practice and the current market trend, which we consider such arrangement is reasonable and acceptable.

2. *Comparison with rights issue comparables*

In assessing the fairness of the Subscription Price, we have compared the Rights Issue with an exhaustive list which includes all the samples within our parameters. The identified 20 rights issues/open offers (the “**Comparables**”) conducted by companies that are listed on the Stock Exchange, which (i) announced the respective rights issues/open offers during the twelve months’ period from the date of the Underwriting Agreement, i.e. from 27 November 2011 up to and including 27 November 2012; and (ii) increased the issued share capital of the Comparables by or more than 50%. We noticed that during the Review Period, none of the Comparables are engaged in similar business with the Company. Based on the principal business of the Company, i.e. trading and retailing of watches, we noticed that it is not common for companies to just involve in watches trading but instead, participate trading in both watches and jewelries or other luxury products, and therefore comparables with same industry are limited, if any, and are not sufficient to form a sizable comparison with the Group and/or the Rights Issue. Despite (i) the Comparables are of different industry backgrounds and market capitalization and (ii) the nature that rights issue contains nil-paid right while open offer does not, the terms of the rights issue/open offers conducted by these Comparables are determined under similar market conditions and sentiments as the Rights Issue and the Underwriter and the Company had considered the then recent market conditions, i.e. during the year prior to the Underwriting Agreement, when determining the terms of the Rights

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issue, as such we believe that the Comparables may reflect the recent trend of the rights issue transactions in the market and is helpful in assessing the fairness of the Subscription Price. Details of the Comparables are summarized in the following table:

Comparable (stock code)	Date of announcement	Basis of entitlement	Premium/ (discount) of subscription price over/(to)the closing price on the last trading day %	Premium/ (discount) of subscription price over (to)the theoretical ex-entitlement price %	Underwriting Commission %	Maximum dilution (Note) %
Dragonite International Limited (329)	20/11/2012	1 for 1	(48.98)	(32.43)	2.5	50.00
Qin Jia Yuan Media Services Company Limited (2366)	2/11/2012	1 for 1	(55.70)	(38.60)	2.5	50.00
National Arts Holdings Limited (8228)	18/10/2012	4 for 1	(81.13)	(46.24)	3.75	80.00
Easyknit Enterprises Holdings Limited (616)	11/10/2012	5 for 1	(75.61)	(34.07)	1	83.33
China Environmental Energy Investment Limited (986)	4/10/2012	1 for 1	(72.97)	(57.45)	2.5	50.00
Goldin Financial Holdings Limited (530)	27/09/2012	11 for 10	37.18	14.81	2.5	52.38
Sun Century Group Limited (1383)	5/9/2012	6 for 1	(78.26)	(34.21)	0	85.71
Computech Holdings Limited (8081)	22/8/2012	3 for 1	(81.82)	(52.94)	2.5	75.00
MelcoLot Limited (8198)	14/8/2012	3 for 1	(21.20)	(6.00)	0	75.00
Pacific Plywood Holdings Limited (767)	10/8/2012	2 for 1	(83.39)	(28.02)	not mentioned	66.67
China Automotive Interior Decoration Holdings Limited (8321)	5/7/2012	2 for 1	(32.43)	(13.79)	3	66.67

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable (stock code)	Date of announcement	Basis of entitlement	Premium/ (discount) of subscription price over/(to)the closing price on the last trading day %	Premium/ (discount) of subscription price over (to)the theoretical ex-entitlement price %	Underwriting Commission %	Maximum dilution (Note) %
Bao Yuan Holdings Limited (692)	10/5/2012	7 for 2	(25.00)	(6.98)	3	77.78
Hong Kong Life Group Holdings Limited (8212)	4/5/2012	5 for 1	(65.93)	(24.59)	3.5	83.33
China Zenith Chemical Group Limited (362)	26/4/2012	2 for 1	(52.38)	(26.83)	2.5	66.67
First Natural Foods Holdings Limited (1076)	26/3/2012	7 for 1	(97.60)	(97.42)	N/A	87.50
Lai Fung Holdings Limited (1125)	27/2/2012	1 for 1	(38.10)	(23.80)	2	50.00
China Mandarin Holdings Limited (9)	22/2/2012	1 for 1	(58.29)	(41.14)	2	50.00
Sinopeck Kantons Holdings Limited (934)	21/2/2012	1 for 1	(30.94)	(18.40)	not mentioned	50.00
Freeman Financial Corporation Limited (279)	19/1/2012	2 for 1	(35.48)	(15.25)	3	66.67
Beijing Yu Sheng Tang Pharmaceutical Group Limited (1141)	20/12/2011	5 for 1	(84.30)	(48.00)	2.5	83.33
Max Discount:			(97.60)	(97.42)		
Min Discount:			(21.20)	(6.00)		
Mean Discount:			(58.92)	(34.01)		
Min:					0.00	50.00
Max:					3.75	87.50
Mean:					2.28	67.50
Company		3 for 1	(87.50)	(63.60)	2.00	75.00

Source: website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note: Maximum dilution effect of each rights issue is calculated as: (number of rights shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares), e.g. for Rights Issue with basis of 4 Rights Shares for every existing share held, the maximum dilution effect is calculated as $4/(1+4)=80\%$.

As shown in the above table, the discount represented by the subscription prices to the closing prices of shares of the Comparables on the last trading days prior to the release of the respective open offer announcements ranged from approximately 97.6% to approximately 21.2% (the “**LTD Market Range**”). The discount of approximately 87.5% as represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the LTD Market Range.

The discount represented by the subscription prices to the theoretical ex-entitlement prices of shares of the Comparables ranged from approximately 97.42% to approximately 6% (the “**TE Market Range**”). The discount of approximately 63.6% as represented by the Subscription Price to the theoretical ex-entitlement price falls within the TE Market Range.

We understand the fact that the discount of the Subscription Price to the Last Trading Day and theoretical ex-entitlement price are deep for the Company and rank the second highest amongst the Comparables for both criteria, but having taken into account that deep discount is not an uncommon practice in recent rights issue/open offer arrangements, while the discounts represented by the Subscription Price do not exceed the ranges represented by the Comparables. Also, in general, we consider that it is common for the listed issuers in Hong Kong to issue rights issue at a discount to the market price in order to enhance the attractiveness of a rights issue transaction. Accordingly, we consider the discounts of the Subscription Price to the Last Trading Day and theoretical ex-entitlement price are justifiable and acceptable.

In general, we consider that it is common for the listed issuers in Hong Kong to issue rights issue at a discount to the market price in order to enhance the attractiveness of a rights issue transaction. Having further considered that (i) the Subscription Price was determined after arm’s length negotiations between the Company and the Underwriter; (ii) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the LTD Market Range; (iii) the discount represented by the Subscription Price to the theoretical ex-entitlement price falls within the TE Market Range; (iv) the closing prices of the Shares illustrated decreasing trend and inactive trading volume during the Review Period; (v) all Qualifying Shareholders are offered an equal opportunities to subscribe for the Rights Shares; and (vi) trading in nil-paid Rights Shares on the Stock Exchange is available for Qualifying Shareholders or potential investors who would like to participate more or invest in the future growth of the Group in a discounted Subscription Price, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

3. *Application for excess Rights Shares*

As set out in the Board Letter, the Company has decided that no excess applications will be available for the Qualifying Shareholders to make applications to subscribe for any Rights Share provisionally allotted but not taken up by the allottees (or their renounees) having considered that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company’s future development by subscribing for his/her/its proportionate entitlement under the Rights Issue and there will be dealing of nil-paid Rights Shares on the Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders (or their renounees) will be underwritten by the Underwriter.

After arm's length negotiation with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications and the fact that there will be dealing of nil-paid Rights Shares on the Stock Exchange, the Directors consider that it is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole not to offer any excess application to the Shareholders and to have the unsubscribed Rights Shares taken up by the Underwriter.

We noticed that Mr. Eav together with his associates has been the controlling Shareholder since late 2006. Despite the recent loss makings recorded by the Group for the year ended 31 March 2012 and for the six months ended 30 September 2012, the Group had recorded profits attributable to the Shareholders for four consecutive financial years since 2008. As advised by the Company, the Rights Issue is now fully underwritten by the Underwriter, a company wholly-owned by Mr. Eav, which thereby demonstrates the continuous support of the controlling Shareholder to the Company under adverse financial position and the confidence in the Company's future and growth prospects.

We consider that the absence of the excess application arrangement may not be desirable from the point of view of those Qualifying Shareholders who wish to take up additional Rights Shares in excess of their assured entitlements and would result in the Underwriter taking up all the untaken Rights Shares at deep discount to the prevailing market price of the Shares. However, we consider that the aforesaid should be balanced against after taking into account the following factors:

- (i) the Qualifying Shareholders have the first right to decide whether to accept the Rights Issue;
- (ii) there will be dealing of nil-paid Rights Shares on the Stock Exchange for Qualifying Shareholders or potential investors to participate more or invest in the future growth of the Group;
- (iii) the related administration costs would be lowered in the absence of excess applications;
- (iv) the underwriting arrangement by the controlling Shareholder demonstrates the continuous support of the controlling Shareholder to the Company under adverse financial position and the confidence in the Company's future and growth prospects;
- (v) the Rights Issue is in the interests of the Company and its Shareholders as a whole. As illustrated above, the Subscription Price is fair and reasonable and the Subscription Price is set at a deep discount to the prevailing market price of the Shares which provides reasonable attractiveness to the Qualifying Shareholders. Besides, the Qualifying Shareholders are able to dispose their nil-paid rights on the Stock Exchange. All Shareholders not accepting the Rights Issue shall have their interests in the Company diluted but they shall be able to benefit from the overall improvement of the financial position of the Company upon completion of the Rights Issue; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vi) the absence of excess application arrangement for the Offer Shares is subject to approval by the Independent Shareholders at the SGM.

Given the above, we are of the view that the absence of the excess application arrangement is fair and reasonable.

4. *Underwriting arrangement*

- (a) The Underwriter

As set out in the Board Letter, pursuant to the Underwriting Agreement, the number of the Underwritten Shares is not more than 543,194,196 Rights Shares, being the total number of the Rights Shares under the Rights Issue excluding 546,843,690 Rights Shares (assuming all Vested Share Options held by Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav and their respective associates are exercised before the Record Date) undertaken to be subscribed by Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav and their respective associates pursuant to the Irrevocable Undertakings and to the extent that the Company will maintain the requirement of 25% “public float” under to the Listing Rules.

As further set out in the Board Letter, on 27 November 2012, the Underwriter entered into sub-underwriting arrangements with four independent third parties (not being connected persons of the Company) as the Sub-Underwriters primarily to maintain the public float of the Company in compliance with the Listing Rules.

We are advised by the Company that the Company had considered approaching independent underwriters other than the Underwriter to underwrite the Rights Issue. However, having taken into account the financial performance of the Group, time necessary for the independent underwriters to evaluate the Company and negotiation on the terms of the Rights Issue, the Company considered that the Rights Issue underwritten by the Underwriter is a better underwriting arrangement.

Given that (i) the Qualifying Shareholders have the first right to decide whether to accept the Rights Issue; (ii) all Qualifying Shareholders are offered with same terms under the Rights Issue; and (iii) the underwriting arrangement secure the full intended funding of the Group, we are of the view that the underwriting arrangement is in the interest of the Independent Shareholders and the Company as a whole.

- (b) Underwriting commission

We noted from the Board Letter that the Underwriter will charge commission of 2.0% of the aggregate Subscription Price of the Underwritten Shares for which the Underwriter has agreed to subscribe or procure subscription. It is acknowledged that the Underwriter shall pay, out of the above commission, commission to the Sub-Underwriters as agreed amongst themselves.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the underwriting commission of 2.0% to be charged by the Underwriter falls within the range of the Comparables of 0% to 3.75% and is lower than the mean of the commission paid by the Comparables of approximately 2.28%.

In view of the above and having considered that the commission of the Sub-Underwriters will be responsible by the Underwriter, we are of the view that the underwriting commission rate of 2.0% is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. *Other terms of the Rights Issue*

We have also reviewed the other terms of the Rights Issue, except for not offering excess application to the Shareholders, we are not aware of any terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. *Risks associated with the Rights Issue*

Shareholders and potential investors should note that the Rights Issue is conditional, among other things, upon the fulfillment of the conditions set out under the section headed “Conditions of the Rights Issue” in the Board Letter. In particular, the Rights Issue is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in the Board Letter). Accordingly, the Rights Issue may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

D. Alternatives

We have enquired with the Company and are advised that they have considered other methods of fund raisings such as open offer, placement of new Shares or other convertible securities and bank borrowing. Taking into account that:

- (i) the Rights Issue allows trading of nil-paid rights for the Qualifying Shareholders who would like to increase their shareholdings in the Company by acquiring nil-paid rights in the market;
- (ii) open offer does not have nil-paid rights trading while the Rights Issue allows the Qualifying Shareholders to have alternatives whether to accept the Rights Shares or realize their nil-paid rights to subscribe for the Rights Shares in the market;
- (iii) the Rights Issue gives the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) debt financing and bank borrowing will create interest payment obligations on the Group and increase the gearing and incur further interest burden to the Company;
- (v) the Company had general discussions with their existing bankers confirming that it maybe difficult for the Company to apply for long-term bank borrowings after considering the current circumstances of the Company, i.e. the audited loss recorded for the year ended 31 March 2012 and unaudited loss recorded for the six months ended 30 September 2012, and high gearing ratio of the Group;
- (vi) any placing of new Shares will inevitably cause massive dilution to the interests of the existing Shareholders as they will not be able to participate on an equitable basis; and
- (vii) the Rights Issue will enable the Shareholders to maintain their proportionate interests in the Company should they so wish,

we concur with the Directors that the Rights Issue is an appropriate means to reduce the liabilities of the Group and raise fund for the business development of the Group. As such, we are of the view that fund raising by way of the Rights Issue is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

E. Financial effect of the Rights Issue

1. Net asset value

Based on the unaudited pro forma financial information set out in Appendix II of the Circular, the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2012 of approximately HK\$469.89 million would increase by the estimated net proceeds to a minimum of approximately HK\$200.86 million and maximum of approximately HK\$256.1 million, including the estimated maximum net proceeds of approximately HK\$213.8 million, the estimated proceeds from the exercise of the outstanding Vested Share Options of approximately HK\$10.8 million and the conversion of outstanding Convertible Notes of approximately HK\$31.5 million. The unaudited adjusted consolidated net tangible assets per Share as at 30 September 2012 was HK\$0.14 (unadjusted net tangible assets per Consolidated Share was HK\$1.40) and since the Subscription Price is at a discount to the net asset value per Consolidated Share, the unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share would be approximately HK\$0.50 to HK\$0.49 after the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. *Gearing ratio*

As noted from the Interim Result Announcement, the total debt and the total equity of the Group as at 30 September 2012 were approximately HK\$636.66 million and approximately HK\$479.34 million respectively. The debt to equity or gearing ratio (defined as total debt divided by total equity) of the Group was 1.33 times as at 30 September 2012. As advised by the Company, the total equity is expected to increase by the net proceeds of the Rights Issue and hence the gearing position of the Group is expected to improve to approximately 0.77 times (based on the minimum 1,025,149,830 Rights Shares to be issued) or approximately 0.76 times (based on the maximum 1,089,983,886 Rights Shares to be issued).

3. *Working capital*

The Rights Issue shall have a positive effect on the Group's working capital upon completion as the proceeds from the Rights Issue will bring in a net cash inflow of at least approximately HK\$200.8 million to the Group.

In light of the enhancement on the net tangible assets, the gearing position and the working capital as a result of the Rights Issue, we are of the opinion that the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole.

F. Potential Dilution

The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future business development of the Company should they wish to do so. Pursuant to the terms of the Rights Issue, Mr. Eav, Mr. Henry Duong and Mr. Kinson Eav have undertaken that they will subscribe for the Rights Shares which they are entitled with. Given the deep discounted Subscription Price, the Qualifying Shareholders are provided with opportunity to take up more Rights Shares if so they wish, through the dealing of nil-paid rights. However, those Qualifying Shareholders (except the Underwriter and the Eav Family) who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 21.76% (assuming no Vested Share Options are exercised and all of the outstanding Convertible Notes are not converted as at the Record Date) to approximately 24.78% (assuming all of the outstanding Vested Share Options are exercised and all of the outstanding Convertible Notes are converted as at the Record Date).

In all cases of rights issue, the dilution on the shareholding of those qualifying shareholders who do not take up in full their assured entitlements under the rights issue is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercises since the higher rights issue ratio of new shares to existing shares is the greater the dilution on the shareholding would be. Having considered the deep discount represented by the Subscription Price which is favourable for Qualifying Shareholders to subscribe for the Rights Shares, should the Qualifying Shareholders forsaken their nil-paid rights, we consider the potential dilution effects is inevitable and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATIONS

Taking into account the factors and reasons as mentioned above, which include but not limited to:

- (i) the Rights Issue would enlarge the capital base of the Company;
- (ii) the Qualifying Shareholders have the first right to decide whether to accept the Rights Issue;
- (iii) the Rights Issue is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allows the Qualifying Shareholders to maximize their participation in the growth of the Company by acquiring nil-paid rights in the market;
- (iv) the Rights Issue allows the Qualifying Shareholders to have alternatives whether to accept all or parts of the Rights Shares or realize all or parts of their nil-paid rights to subscribe for the Rights Shares in the market;
- (v) the inherent dilutive nature of Rights Issue in general and the deep discount represented by the Subscription Price being favorable to the Qualifying Shareholders;
- (vi) the Subscription Price is at discounts to the closing price of the Shares and the theoretical ex-entitlement price in order to enhance the attractiveness of the Rights Issue;
- (vii) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the LTD Market Range;
- (viii) the discount represented by the Subscription Price to the theoretical ex-entitlement price falls within the TE Market Range;
- (ix) the positive impact on the financial position of the Group as a result of the Rights Issue; and
- (x) the underwriting arrangement by the controlling Shareholder demonstrates the continuous support of the controlling Shareholder to the Company under adverse financial position and the confidence in the Company's future and growth prospects and also secure the full intended funding of the Group,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we consider that, the terms of the Rights Issue (including but not limited to the absence of excess application and the Underwriting Agreement), which is not entered in an ordinary course of business of the Company, are fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole. We would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue, including but not limited to the absence of excess application and the Underwriting Agreement, to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

1. FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2010, 2011 and 2012 are disclosed in the annual reports of the Company for the years ended 31 March 2010 (pages 28 to 102), 2011 (pages 30 to 114) and 2012 (pages 31 to 126). They can be accessed on the website of the Company (www.asiacommercialholdings.com) and the website of the Stock Exchange (www.hkexnews.hk).

2. INDEBTEDNESS

Borrowings

At the close of business on 9 November 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the details of the Group's outstanding borrowings were set out as follows:

		<i>HK\$'000</i>
Bank loans – secured	(a)	162,006
Bank loans – unsecured	(b)	125,226
Loans from a director – unsecured	(c)	65,948
The Convertible Notes	(d)	31,840
		<hr/>
Current portion		385,020
		<hr/>
Total		385,020
		<hr/> <hr/>

- (a) As at the close of business on 9 November 2012, the Group's bank loans of approximately HK\$130,890,000 were secured by (i) the pledges of certain land and buildings, prepaid lease payments, investment properties, inventories and pledged bank deposits; (ii) corporate guarantees given by the Company; (iii) assignment of dividends payable by Asia Commercial Time City (Shanghai) Trading Limited and shareholder's loans of Asia Commercial Time City (Shanghai) Trading Limited advanced or to be advanced by Time City (Hong Kong) Limited; and (iv) assignment of rental income from certain investment properties. In addition, bank loans of HK\$31,116,000 were guaranteed by the Company and certain subsidiaries of the Group and secured by bank deposits of HK\$3.9 million owned by a director, Mr. Eav. The effective interest rates (which are also equal to contracted interest rates) on the Group's secured bank loans are ranged from 2.92% to 3.48% per annum.
- (b) As at the close of business on 9 November 2012, the Group's bank loans of approximately HK\$125,226,000 were unsecured. The effective interest rates (which are also equal to contracted interest rate) on the Group's unsecured bank loans are ranged from 6.16% to 6.44% per annum.
- (c) As at the close of business on 9 November 2012, the Group's loans from a director of approximately HK\$65,948,000 were unsecured, bearing interest at the Hong Kong dollar prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 1% per annum and repayable on demand.

- (d) As at the close of business on 9 November 2012, the principal amount plus interest payable of the outstanding Convertible Notes was approximately HK\$31,840,000. The Convertible Notes were issued on 27 September 2010, maturing on 26 September 2013, bearing interest at 3% per annum. The Convertible Notes entitle their holders to convert their outstanding principal amounts into new conversion shares at the initial conversion price of HK\$0.84 per conversion share (subject to anti-dilutive adjustment). Pursuant to the terms and conditions of the Convertible Notes, the conversion price of the Convertible Notes was adjusted from HK\$0.84 per conversion share to HK\$0.168 per subdivided share as a result of the share subdivision. The above adjustment took effect from the close of business on Monday, 15 November 2010. The conversion price will be adjusted upon completions of the Share Consolidation and Rights Issue.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Group, as at the close of business on 9 November 2012, the Group did not have any outstanding indebtedness in respect of any loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchases commitments, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 9 November 2012.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into consideration the financial resources available to the Group, including internally generated funds, cash and cash equivalents, the borrowings and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the Company's announcement dated 16 November 2012 in relation to a profit warning for the Company's interim results for the six months ended 30 September 2012, the Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE GROUP

For illustrative purposes, the financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by the completion of the Rights Issue as if the Rights Issue had been completed on 30 September 2012.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company which has been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Rights Issue after the completion of the Share Consolidation as if the Rights Issue had taken place on 30 September 2012. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, may not give a true picture of the financial position of the Group had the Rights Issue been completed as at 30 September 2012 or at any future date.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2012	Estimated proceeds from the exercise of the outstanding Vested Share Options	Decrease of liabilities upon conversion of outstanding Convertible Notes	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately before completion of the Rights Issue and Share Consolidation	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after completion of the Rights Issue and Share Consolidation	Unaudited consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Rights Issue and Share Consolidation	
HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 6)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$ (Note 7)	
Based on the maximum number of (i.e. 1,089,983,886) Rights Shares (Note 1) to be issued at a subscription price of HK\$0.20 per Rights Share	469,894	10,848	31,463	512,205	213,824	726,029	0.14
Based on the minimum number of (i.e. 1,025,149,830) Rights Shares (Note 1) to be issued at a subscription price of HK\$0.20 per Rights Share	469,894	-	-	469,894	200,857	670,751	0.14

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE GROUP

Notes:

- (1) The maximum number of 1,089,983,886 Rights Shares to be issued under the Rights Issue is based on 363,327,962 Consolidated Shares in issue upon the Share Consolidation becoming effective. The 363,327,962 Consolidated Shares are calculated based on 341,716,610 Consolidated Shares in issue as at 30 September 2012 plus 2,980,400 Consolidated Shares upon the exercise of Vested Share Options and 18,630,952 Consolidated Shares upon the conversion of the Convertible Notes.

The minimum number of 1,025,149,830 Rights Shares to be issued under the Rights Issue is based on 341,716,610 Consolidated Shares in issue upon the Share Consolidation becoming effective. The 341,716,610 Consolidated Shares are calculated based on 3,417,166,107 issued shares of the Company as at 30 September 2012 after taking into account the Share Consolidation which will consolidate every ten issued and unissued Shares into one Consolidated Share.

- (2) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2012 is extracted from the interim results announcement of the Company for the six months ended 30 September 2012 (page 4), which is published on the website of the Stock Exchange (www.hkex.com.hk). There was no intangible asset as at 30 September 2012.
- (3) The estimated proceeds from the exercise of the outstanding Vested Share Options are based on 2,297,000 and 683,400 Vested Share Options (after completion of the Share Consolidation) to be exercised at the adjusted exercise price of HK\$3.94 and HK\$2.63 per Consolidated Share respectively.
- (4) The decrease of liabilities upon the conversion of outstanding Convertible Notes is based on the amount extracted from the interim results announcement of the Company for the six months ended 30 September 2012 (page 4).
- (5) The estimated maximum and minimum net proceeds from the Rights Issue are based on 1,089,983,886 and 1,025,149,830 Rights Shares respectively to be issued at the subscription price of HK\$0.20 per Rights Share after deduction of the estimated related expenses of approximately HK\$4,173,000.
- (6) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2012.
- (7) The number of Shares used for the calculation of the maximum unaudited consolidated net tangible assets per Share attributable to owners of the Company as at 30 September 2012 before the Rights Issue and the Share Consolidation is based on 3,417,166,107 Shares of the Company in issue as at 30 September 2012 plus 29,804,000 Shares upon the exercise of Vested Share Options and 186,309,528 Shares upon the conversion of the Convertible Notes.

The number of Shares used for the calculation of the minimum unaudited consolidated net tangible assets per Share attributable to owners of the Company as at 30 September 2012 before the Rights Issue and the Share Consolidation is based on 3,417,166,107 Shares of the Company in issue as at 30 September 2012.

- (8) The number of Shares used for the calculation of the maximum unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share attributable to owners of the Company immediately after completion of the Rights Issues and Share Consolidation is based on 1,453,311,848 Consolidated Shares (on the basis that there were 341,716,610 Consolidated Shares in issue as at 30 September 2012 plus 2,980,400 Consolidated Shares upon the exercise of Vested Share Options, 18,630,952 Consolidated Shares upon the conversion of the Convertible Notes and 1,089,983,886 Rights Shares were issued pursuant to the Rights Issue) were in issue upon completions of the Rights Issue and Share Consolidation.

The number of shares used for the calculation of the minimum unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share attributable to owners of the Company immediately after completions of the Rights Issue and Share Consolidation is based on 1,366,866,440 Consolidated Shares (on the basis that there were 341,716,610 Consolidated Shares in issue as at 30 September 2012 and 1,025,149,830 Rights Shares were issued pursuant to the Rights Issue) were in issue upon completions of the Rights Issue and Share Consolidation. The calculation takes no account of any Shares to be issued upon exercise of the Vested Share Options and conversion of Convertible Notes.

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

2. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS



CCIF

CCIF CPA LIMITED

9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

18 December 2012

The Board of Directors
Asia Commercial Holdings Limited
19th Floor
9 Des Voeux Road West
Hong Kong

Dear Sirs,

**Asia Commercial Holdings Limited and its subsidiaries
Unaudited pro forma financial information**

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Asia Commercial Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the Rights Issue on the basis of three Rights Shares for every one Consolidated Share held on the record date might have affected the financial information presented, for inclusion in Appendix II to this circular dated 18 December 2012. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of this circular.

Respective responsibilities of the directors and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE GROUP

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2012 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE GROUP

- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong
Lam Cheung Shing
Practising Certificate Number P03552

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The share capital of the Company as at the Latest Practicable Date after the Capital Reorganisation becoming effective and following completion of the Rights Issue are as follows:

<i>Authorised:</i>		<i>HK\$</i>
5,000,000,000	Shares of HK\$0.02 each in issue as at the Latest Practicable Date	100,000,000.00
2,500,000,000	Consolidated Shares of HK\$0.20 each after the Capital Reorganisation becoming effective	500,000,000.00
<i>Issued and agreed to be issued:</i>		
3,417,166,100	Shares in issue as at the Latest Practicable Date	68,343,322.00
341,716,610	Consolidated Shares in issue after the Capital Reorganisation becoming effective	68,343,322.00
21,611,352	Maximum number of the Consolidated Shares to be issued upon the exercises of the Vested Share Options and the conversion of the Convertible Notes in full	4,322,270.40
1,089,983,886	Maximum number of Rights Shares to be issued pursuant to the Rights Issue (<i>Note 1</i>)	217,996,777.20
1,453,311,848	Consolidated Shares in issue immediately after the Capital Reorganisation becoming effective and following issue of the above maximum number of Rights Shares	290,662,369.60

Notes:

- Based on 3,417,166,100 Shares in issue as at the Latest Practicable Date on the basis of three (3) Rights Shares for every one (1) Consolidated Share held (assuming the Share Consolidation has become effective) and assuming 21,611,352 new Consolidated Shares which may be issued upon the exercise of the outstanding Vested Share Options and the conversion of the outstanding Convertible Notes in full on or prior to the Latest Lodging Date.
- As at the Latest Practicable Date, save for the outstanding Vested Share Options, the Convertible Notes and the Unvested Share Options, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

All the issued existing Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital. All the new Consolidated Shares, when allotted, issued and fully paid, upon completion of the Rights Issue will rank pari passu in all respects with the Consolidated Shares in issue including as regards to all rights as to dividends, voting and return of capital.

The issued Shares are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Consolidated Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

2002 SHARE OPTION SCHEME

On 20 September 2002, the Shareholders approved the adoption of a new share option scheme (the “**2002 Share Option Scheme**”). The purpose of the 2002 Share Option Scheme is to encourage qualifying grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Qualifying grantees of the 2002 Share Option Scheme mean (i) any employee or any business-related consultant, agent, representative or advisor of the Company or any subsidiary or any affiliate; or (ii) any supplier, agent or consultant who provide goods or services to the Company or any subsidiary or any affiliate; or (iii) any customer of the Company or any subsidiary or any affiliate; or (iv) any business ally or joint venture partner of the Company or any affiliate.

Refreshment of 2002 Share Option Scheme mandate limit (the “**Refreshment**”) and amendment of rules of 2002 Share Option Scheme (the “**Amendment**”) had been approved at the annual general meeting of the Company held on 26 August 2008. Details of the Refreshment and the Amendment were contained in the circular to the Shareholders dated 1 August 2008.

The Company has issued 146,800,000 and 34,170,000 share options to the qualifying grantees to subscribe for ordinary shares of HK\$0.02 each in the share capital of the Company under the 2002 Share Option Scheme on 31 March 2011 and 26 October 2011 of which the exercise prices were HK\$0.394 per share and HK\$0.263 per Share respectively. As of the Latest Practicable Date, the outstanding number of share options was 149,020,000.

The exercise price of any share option is the highest of (i) the nominal value of a Share; (ii) the closing price of the Share as stated in the daily quotation sheets of the Stock Exchange on the date of grant; and (iii) the average closing price of the Share as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant.

The validity period of share options shall be vested in the grantees over a time period of five years commencing from the date of grant above. For each of such five years, 20% of the share options granted to the grantees will vest. The vested share options shall be valid for a period of ten years from the date of grant and shall lapse at the expiry of the option period.

The total number of Shares available for issue under the 2002 Share Option Scheme, the share award plan approved by the shareholders of the Company on 13 September 2010 and any other share option schemes was 306,299,944 Shares which represented approximately 9.0% of the issued share capital of the Company as at 31 March 2012. In respect of the maximum entitlement of each grantees under the 2002 Share Option Scheme, the number of Shares issued and to be issued upon exercise of the share options granted to each grantees in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

As at Latest Practicable Date, the Directors and employees of the Company had the following interests in share options to subscribe for shares of the Company granted for a nominal consideration under the 2002 Share Option Scheme of the Company. The share options are unlisted. Each share option gives the holder the right to subscribe for one ordinary share of HK\$0.02 of the Company.

Directors	Date of grant	Period during which share options are vested	Period during which share options are exercisable	Exercise price per Share
Mr. Eav	31 March 2011	30 March 2012 to 30 March 2016	30 March 2012 to 30 March 2021	HK\$0.394
Mr. Kinson Eav	31 March 2011	30 March 2012 to 30 March 2016	30 March 2012 to 30 March 2021	HK\$0.394
Mr. André Francois Meier	26 Octobr 2011	25 October 2012 to 25 October 2016	25 October 2012 to 25 October 2021	HK\$0.263
Mr. Lai Si Ming	31 March 2011	30 March 2012 to 30 March 2016	30 March 2012 to 30 March 2021	HK\$0.394
Ms. Wong Wing Yue, Rosaline	31 March 2011	30 March 2012 to 30 March 2016	30 March 2012 to 30 March 2021	HK\$0.394
Mr. Lee Tat Cheung, Vincent	31 March 2011	30 March 2012 to 30 March 2016	30 March 2012 to 30 March 2021	HK\$0.394
Employees	31 March 2011	30 March 2012 to 30 March 2016	30 March 2012 to 30 March 2021	HK\$0.394

2010 SHARE AWARD PLAN

On 13 September 2010, the Shareholders approved the adoption of a share award plan (the “**2010 Share Award Plan**”). The 2010 Share Award Plan is a ten-year discretionary share award and ownership plan. It is primarily for encouraging or facilitating the holding of Shares by those selected employees of the Group who, as determined by the Board, are eligible to participate in the plan and to whom new Shares are or will be awarded. The Directors will make use of the plan to award new Shares to those selected employees of the Group on suitable terms as incentives and rewards for their contribution to the Group.

No award was granted, exercised, cancelled or lapsed up to the Latest Practicable Date.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

In addition to the share options granted under the 2002 Share Option Scheme as disclosed herein, the Company entered into a placing agreement with the placing agent on 31 August 2010, pursuant to which the placing agent conditionally agreed, to procure placees to subscribe for the Convertible Notes issued by the Company in an aggregate principal amount of up to HK\$100,800,000 on a “best-efforts” basis. On 27 September 2010, the Company completed the placing of HK\$100,800,000 Convertible Notes to independent placees. The Convertible Notes carry interest at 3% per annum and the principal amounts of all Convertible Notes shall be due and repayable on the third anniversary of the date of issue. The Convertible Notes entitle their holders to convert their outstanding principal amounts into new conversion shares at the initial conversion price of HK\$0.84 per conversion share (subject to anti-dilutive adjustment). Pursuant to the terms and conditions of the Convertible Notes, the conversion price of the Convertible Notes was adjusted from HK\$0.84 per conversion share to HK\$0.168 per subdivided share as a result of the share subdivision approved by the Shareholders on 12 November 2010. The above adjustment took effect from the close of business of 15 November 2010. As of Latest Practicable Date, an aggregate principal amount of HK\$69,500,000 has been converted into Shares.

Save as disclosed herein, the Company had no other outstanding convertible securities, options, warrants or similar rights as at Latest Practicable Date.

3. DIRECTORS’ INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares/underlying Shares

Name of Director	Nature of interest	Number of Shares interested/ underlying Shares held	Percentage of issued share capital (%)
Mr. Eav (<i>Note 1</i>)	<i>Note 1</i>	12,670,147,165	370.78
Mr. Kinson Eav (<i>Note 2</i>)	Personal	26,148,000	0.77
Mr. Henry Duong (<i>Note 3</i>)	Personal	40,896,000	1.20
Mr. André Francois Meier (<i>Note 4</i>)	Personal	34,170,000	1.00
Mr. Lai Si Ming (<i>Note 4</i>)	Personal	1,250,000	0.04
Ms. Wong Wing Yue, Rosaline (<i>Note 4</i>)	Personal	1,250,000	0.04
Mr. Lee Tat Cheung, Vincent (<i>Note 4</i>)	Personal	1,250,000	0.04

Notes:

- Among the 12,670,147,165 Shares and underlying Shares in which Mr. Eav was deemed to have interests under the SFO (a) 179,389,000 shares were personal interest of Mr. Eav of which 10,000,000 underlying shares were interested as share options, (b) 4,023,000 shares were held by Mdm. Lam Kim Phung (spouse of Mr. Eav), (c) 1,268,168,460 shares by Century Hero International Limited, (d) 4,662,000 shares by Debonair Company Limited, (e) 49,931,820 shares by Goodideal Industrial Limited, (f) 6,376,680 shares by Hexham International Limited, (g) 7,116,345 shares by Goodness Management Limited, (h) 295,884,000 shares by Chanchhaya Trustee Holding Corporation (as a trustee of Eav An Unit Trust), (i) 5,431,941,960 were underlying Shares in which Century Hero International Limited was deemed to have interests by virtue of its underwriting obligations (in relation to a maximum of 543,194,196 Consolidated Shares) under the Underwriting Agreement and (j) 5,422,653,900 were underlying Shares in which Mr. Eav was deemed to have interests by virtue of his undertakings pursuant to his Irrevocable Undertaking to take up his pro rata entitlements to the Consolidated Shares under the Rights Issue, in each relevant case after the Share Consolidation becoming effective. Century Hero International Limited, Debonair Company Limited, Hexham International Limited, and Goodness Management Limited are wholly owned and Goodideal Industrial Limited is 87% owned by Mr. Eav. Eav An Unit Trust is a discretionary trust of which Mr. Eav is the founder, the beneficiaries include Mr. Eav, his wife and their children.
- All the 26,148,000 Shares were personal interest of Mr. Kinson Eav of which 7,500,000 underlying Shares were held under share options, and 15,111,000 were underlying Shares in which Mr Kinson Eav was deemed to have interest by virtue of his undertakings to take up his pro rata entitlements to the Consolidated Shares under the Rights Issue after the Share Consolidation becoming effective.
- All the 40,896,000 Shares were personal interest of Mr. Henry Duong and 30,672,000 were underlying Shares in which Mr Henry Duong was deemed to have interest by virtue of his undertakings to take up his pro rata entitlements to the Consolidated Shares under the Rights Issue after the Share Consolidation becoming effective).
- All the interests are related to the share options held by the respective Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group and the amount of each of such persons' interest in such securities, together with particulars of any options in respect of such capital, if there are no such interests or short positions:

Name of Shareholder	Note	Number of Shares/ underlying Shares	Approximately percentage of issued share capital (%)
Mdm. Lam Kim Phung	1	12,670,147,165	370.78
Century Hero International Limited	2	6,700,110,420	196.07
Chanchhaya Trustee Holding Corporation	3	295,884,000	8.66
Covenhills	4	485,104,860	14.20
Lei Shing Hong Investment Limited	5	235,098,000	6.88
Lei Shing Hong Capital Limited	5	235,098,000	6.88
Lei Shing Hong Limited	5	235,098,000	6.88
Lead Star Business Limited	5	235,098,000	6.88
Lau Yu Chak	5	235,098,000	6.88
Get Nice Holdings Limited	6	1,362,547,360	39.9
Get Nice Incorporated	6	1,362,547,360	39.9
Get Nice Securities Limited	6	1,362,547,360	39.9

Notes:

- These shares include 4,023,000 shares held by Mdm. Lam Kim Phung and the remaining 12,666,124,165 are Shares and underlying Shares in which Mr Eav, the spouse of Mdm. Lam Kim Phung, had or was deemed to have interests as disclosed in the above section headed "Directors' interests".
- Century Hero International Limited is wholly owned by Mr. Eav. Please refer to the above section headed "Directors' Interests".
- Chanchhaya Trustee Holding Corporation is trustee of Eav An Unit Trust, a discretionary trust, the beneficiaries of which include Mr. Eav, his wife and their children. Please refer to the above section headed "Directors' Interests".
- Covenhills is owned equally by Mr. Leong Lou Teck, Mr. Leong Lum Thye, Miss Leong Yoke Kheng and Mr. Leong Siew Khuen.
- Lei Shing Hong Investment Limited is wholly owned by Lei Shing Hong Capital Limited which in turn is wholly owned by Lei Shing Hong Limited. Lei Shing Hong Limited is 36.57% owned by Lead Star Business Limited which in turn is wholly owned by Mr. Lau Yu Chak.
- Get Nice Securities Limited is wholly owned by Get Nice Incorporated which in turn is wholly owned by Get Nice Holdings Limited. The said 1,362,547,360 Shares/underlying Shares represent the deemed interests in 136,254,736 Consolidated Shares sub-underwritten by Get Nice Securities Limited under its sub-underwriting agreement made with Century Hero International Limited as Underwriter in relation to the Rights Issue.

Save as disclosed, as at the Latest Practicable Date, the Directors or chief executive of the Company are not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group and the amount of each of such persons' interest in such securities, together with particulars of any options in respect of such capital, if there are no such interests or short positions.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within the two years preceding the date of this circular and are or may be material:

- (a) the supplemental agreements dated 31 March 2011 between the Company and the holders of the outstanding Convertible Notes to amend certain provisions relating to adjustment of conversion price by specifying a specific formula for calculating the extent of adjustment on occurrence of share acquisition event;
- (b) the property acquisition agreement dated 6 May 2011 between an indirect wholly-owned subsidiary of the Company and a property developer for the acquisition of Units 2001 and 2002, 20/F, Honi International Plaza, No. 199 Chengdu Beilu, Shanghai, the PRC at a consideration of approximately RMB39.9 million for office use;
- (c) the Underwriting Agreement; and
- (d) the Irrevocable Undertakings.

Save as the aforesaid, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the date of this circular which are or may be material.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries.

7. EXPERTS

The following sets out the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Veda Capital Limited (“ Veda ”)	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
CCIF CPA Limited (“ CCIF ”)	Certified Public Accountants

As at the Latest Practicable Date, Veda and CCIF were not beneficially interested in the share capital of any member of the Group and none of them had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and none of them had any interest, either direct or indirect, in any assets which have been, since 31 March 2012 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Veda and CCIF had given and have not withdrawn their written consents to the issue of this circular with inclusion of their letters prepared for inclusion in this circular, and references to their names in the form and context in which they are included.

8. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Name	Address
<i>Authorised representatives:</i>	
Mr. Kinson Eav	Flat 4C, Ridge Court, 21 Repulse Bay Road, Hong Kong
Mr. Cheng Ka Chung	Flat F, 28/F, Block 5, Rhine Garden, Sham Tseng, N.T., Hong Kong
<i>Executive Directors:</i>	
Mr. Eav Yin (alias Duong Khai Nhon) (<i>Chairman</i>)	G/F, Block B, 58 Black’s Link Villa, Black’s Link, Repulse Bay, Hong Kong
Mr. Kinson Eav	Flat 4C, Ridge Court, 21 Repulse Bay Road, Hong Kong
Mr. Henry Duong	Apartment 1763, Tower 10, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong
Mr. André Francois Meier	Maujobia 6A, 2000 Neuchatel, Switzerland

Independent non-executive Directors:

Mr. Lai Si Ming	4A Begonia Mansion, 8 Taikoo Wan Road, Taikoo Shing, Hong Kong
Ms. Wong Wing Yue, Rosaline	Shop 8, M/F, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Mr. Lee Tat Cheung, Vincent	Flat 3, 23rd Floor, Block A, Dragon Court, 6 Dragon Terrace, Hong Kong

Senior Management:

Mr. Poon Kwok Sing, Sammy	Flat C, 21/F, Block 18, Laguna City, Kwun Tong, Hong Kong
---------------------------	--

Executive Directors

Mr. Eav (alias Duong Khai Nhon), aged 73, is the founder of the Group and a member of Chaozhou Committee of Guangdong Province of the Chinese People's Political Consultative Conference (廣東省潮州市政協委員). Mr. Eav is a Cambodian Chinese and prior to his establishing of a Hong Kong company in 1968 as an importing agent for watch distribution business in Cambodia, had extensive experience of distributing watches in Cambodia and Vietnam. Mr. Eav is an executive Director and the Chairman of the Company. Mr. Eav is also the Chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Eav is also the director of a number of subsidiaries of the Company. Mr. Eav is a director and a controlling shareholder of Century Hero International Limited, which is a controlling shareholder of the Company. Mr. Eav is the father of Mr. Kinson Eav and Mr. Henry Duong, both are executive Directors.

Save as disclosed above and as at the Latest Practicable Date, Mr. Eav does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Eav has also not held any directorship in other listed companies in Hong Kong or overseas in the past three years. Save as disclosed above and as at the Latest Practicable Date, Mr. Eav is not a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Kinson Eav, aged 37, holds a Bachelor of Arts degree in Interior Design and Technology and a Master of Arts degree in Art, Design and Visual Culture from the London Guildhall University. After graduation, Mr. Kinson Eav has practised in an architecture firm in London for 2 years. Mr. Kinson Eav is an executive Director of the Company and the director of a number of subsidiaries of the Company. Mr. Kinson Eav is the son of Mr. Eav Yin and a brother of Mr. Henry Duong, both are executive Directors.

Save as disclosed above and as at the Latest Practicable Date, Mr. Kinson Eav does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Kinson Eav has also not held any directorship in other listed companies in Hong Kong or overseas in the past three years. As at the Latest Practicable Date, Mr. Kinson Eav is not a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Henry Duong, aged 50, was educated at the University of Southern California. Mr. Henry Duong has more than 30 years of experiences in the watch branding and retailing industries. He was appointed as an Executive Director of the Company on 7 July 2011. Before that, he was appointed as the Executive Director from the listing of the Company in 1989 and subsequently resigned on 31 August 1996 to pursue his personal career. Mr. Henry Duong is a son of the Chairman, Executive Director and controlling shareholder of the Company, Mr. Eav and is the elder brother of Mr. Kinson Eav, who is executive Director.

Save as disclosed above and as at the Latest Practicable Date, Mr. Henry Duong does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Henry Duong has also not held any directorship in other listed companies in Hong Kong or overseas in the past three years. As at the Latest Practicable Date, Mr. Henry Duong is not a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. André Francois Meier, aged 49, holds a degree in banking. Mr. Meier has more than 20 years experience in watch business. He spent his last 12 years at Blancpain S.A. (10 years as vice president and international sales manager). Mr. Meier is an executive Director of the Company.

Save as disclosed above and as at the Latest Practicable Date, Mr. Meier does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Meier has also not held any directorship in other listed companies in Hong Kong or overseas in the past three years. As at the Latest Practicable Date, Mr. Meier is not a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Independent Non-executive Directors

Mr. Lai Si Ming, aged 54, is a fellow member of the Hong Kong Institute of Surveyors and an associate member of the Royal Institution of Chartered Surveyors. Mr. Lai was elected as the Vice Chairman, General Practice Division of the Hong Kong Institute of Surveyors during the years from 2001 to 2003. Mr. Lai has been practicing as a professional surveyor since 1983 and has considerable experience in the property field. Mr. Lai holds a master degree of Business Administration from Chinese University of Hong Kong. Mr. Lai is an independent non-executive Director of the Company and is also the Chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company.

Save as disclosed above and as at the Latest Practicable Date, Mr. Lai does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Lai has also not held any directorship in other listed companies in Hong Kong or overseas in the past three years. As at the Latest Practicable Date, Mr. Lai is not a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Ms. Wong Wing Yue, Rosaline, aged 42, graduated with LLB (Hons) at King's College, London University, UK in 1992, and was admitted to both the UK Bar (Middle Temple, UK) and the Hong Kong Bar in 1993. Ms. Wong is a practicing barrister in Hong Kong. Ms. Wong is an independent non-executive Director and a member of the nomination committee, audit committee and remuneration committee of the Company.

Save as disclosed above and as at the Latest Practicable Date, Ms. Wong does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Ms. Wong has also not held any directorship in other listed companies in Hong Kong or overseas in the past three years. As at the Latest Practicable Date, Ms. Wong is not a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Lee Tat Cheung, Vincent, aged 43, has over 20 years experience in accounting and auditing and is the sole proprietor of a firm of Certified Public Accountants practicing in Hong Kong. Mr. Lee is an associate member of The Institute of Chartered Accountants in England and Wales, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He holds a Master Degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Lee is an independent non-executive Director and the Chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company.

Save as disclosed above and as at the Latest Practicable Date, Mr. Lee does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Lee has also not held any directorship in other listed companies in Hong Kong or overseas in the past three years. As at the Latest Practicable Date, Mr. Lee is not a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Senior management

Mr. Poon Kwok Sing, Sammy, aged 53, joined the Group in 1989. Mr. Poon has considerable experience in watch retailing, wholesale and brand management. During the period from April 1992 to March 1993, he was elected as the Director of the Federation of Hong Kong Watch Trades & Industries Limited which is an official association representing the watch industry in Hong Kong. Mr. Poon is the general manager in charge of the Group's watch retailing business in the PRC.

Save as above disclosed and as at the Latest Practicable Date, Mr. Poon does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Poon has also not held any directorship in other listed companies in Hong Kong or overseas in the past three years. As at the Latest Practicable Date, Mr. Poon is not a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

9. CORPORATE INFORMATION

Registered office	Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
Head office and principal place of business in Hong Kong	19th Floor, 9 Des Voeux Road West, Hong Kong
Company secretary	Mr. Cheng Ka Chung, BA(Hons) in Accountancy, MSc in Accountancy, FCCA, AHKICPA, ACIS, ACS
Authorised representatives	Mr. Kinson Eav Mr. Cheng Ka Chung
Legal adviser as to Hong Kong law in relation to the Rights Issue	Iu, Lai & Li, Solicitors & Notaries, 20th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong
Legal adviser as to Bermuda law in relation to the Rights Issue	Appleby, 2206-19 Jardine House, 1 Connaught Place, Central, Hong Kong
Principal share registrar and transfer office	Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong
Principal bankers	Standard Chartered Bank 15/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong Citibank, N.A., Hong Kong Branch 21/F, Tower 1 & 2, The Gateway Harbour City, Tsimshatsui, Kowloon, Hong Kong

Bank of China
No. 1221, Nanjing Road West,
Shanghai, China

China Merchants Bank
No. 100, Nanjing Road West,
Shanghai, China

Bank of Shanghai
No. 1468, Nanjing Road West,
Shanghai, China

Auditors

CCIF CPA Limited
9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay,
Hong Kong

10. GENERAL

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).
- (b) There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.
- (c) None of the Directors, proposed Directors or experts contained in this circular, has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the company or any of its subsidiaries since 31 March 2012, the date to which the latest published audited consolidated financial statements of the Company were made up.
- (d) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.
- (e) The expenses in connection with the Rights Issue, including financial advisory fees, underwriting fee, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$4,200,000 and are payable by the Company.
- (f) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Iu, Lai and Li Solicitors & Notaries of 20th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong from the date of this circular to the date of the SGM (both days inclusive):

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Underwriting Agreement;
- (c) the Irrevocable Undertakings;
- (d) the annual reports of the Company for the two years ended 31 March 2011 and 2012 respectively;
- (e) the letter from the Independent Board Committee as set out on pages 33 and 34 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 35 to 53 of this circular;
- (g) the report from CCIF on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in appendix II to this circular;
- (h) the material contracts referred to in the paragraph headed “5. Material contracts” of this appendix;
- (i) the written consents of the Independent Financial Adviser and CCIF referred to in the paragraph headed “7. Experts” of this appendix; and
- (j) this circular.

NOTICE OF THE SGM



ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

NOTICE IS HEREBY GIVEN that a special general meeting of Asia Commercial Holdings Limited (“Company”) will be held at Qin, Han Room, Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 7 January 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions, all of which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting the listing of, and permission to deal in, the Consolidated Shares (as hereinafter defined) and with effect from the Effective Date (as hereinafter defined), every ten (10) issued and unissued shares with par value of HK\$0.02 each (“Existing Shares”) in the share capital of the Company be consolidated into one (1) consolidated share with par value of HK\$0.20 (a “Consolidated Share”);
- (b) all of the Consolidated Shares resulting from the consolidation of shares in the share capital of the Company in paragraph (a) of this resolution (“Share Consolidation”) shall, when allotted, issued and fully paid, rank pari passu in all respects with each other;
- (c) the directors of the Company (“Directors”) be and are authorised generally to sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect the Share Consolidation, including the aggregation of all the fractional entitlements that may arise from the Share Consolidation and sale (if a premium, net of expenses, can be obtained) of these entitlements by a person appointed by the Board of Directors of the Company in accordance with the terms and conditions set out in the circular of the Company dated 18 December 2012 despatched to the shareholders of the Company; and
- (d) for the purpose of this resolution, “Effective Date” means the business day (as defined in the Rules Governing the Listing of Securities of the Stock Exchange) in Hong Kong immediately after the date on which this resolution is passed by the shareholders of the Company.”

* For identification only

NOTICE OF THE SGM

2. **“THAT** subject to the ordinary resolution numbered 1 (“Ordinary Resolution 1”) as set out in the notice of special general meeting of the Company dated 18 December 2012, of which this resolution forms part, (“Notice”) being passed and upon the Share Consolidation (as defined in Ordinary Resolution 1) becoming effective, the authorised share capital of the Company be increased from HK\$100,000,000 (divided into 500,000,000 Consolidated Shares with par value of HK\$0.20 each) to HK\$500,000,000 (divided into 2,500,000,000 Consolidated Shares with par value of HK\$0.20 each) by the creation of 2,000,000,000 new Consolidated Shares (the “Share Capital Increase”).”

3. **“THAT**, conditional upon, among other things, (i) the ordinary resolutions numbered 1 and 2 as set out in the notice of special general meeting of the Company dated 18 December 2012, of which this resolution forms part, (“Notice”) as contained in the circular of the Company of the same date despatched to the shareholders of the Company (“Circular”) being passed and the Share Consolidation and the Share Capital Increase (both as defined in the said resolutions) becoming effective; (ii) the prospectus (“Prospectus”) in relation to the Rights Issue (as defined below) and the provisional allotment letters (“PAL”) to be issued by the Company having been delivered to the Registrar of Companies in Hong Kong for registration in compliance with the Companies Ordinance, Chapter 32 of the Laws of Hong Kong; (iii) the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting or agreeing to grant the listing of, and permission to deal in the Consolidated Shares (as defined in the said ordinary resolution numbered 1) to be issued by way of rights (“Rights Shares”) in both their nil-paid and fully paid forms to the shareholders of the Company (“Shareholders”) pursuant to the terms and conditions of the Rights Issue set out in the Circular :
 - (a) the offer, allotment and issue by way of rights (“Rights Issue”) of not less than 1,025,149,830 and not more than 1,089,983,886 Rights Shares at the price of HK\$0.20 per Rights Shares on the basis of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date (as defined in the Circular) on the terms and conditions as set out in the Circular be and is hereby approved;
 - (b) pursuant to Rule 7.21(2) of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”), the absence of arrangements to dispose of the Rights Shares not subscribed by allottees under the PAL or their renounees by means of excess application forms or in the market, if possible, for the benefits of the persons to whom they were offered by way of rights as contemplated by Rule 7.21(1) of the Listing Rules be and is hereby specifically approved;
 - (c) the Board be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue on the terms and conditions set out in the Circular notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Board be and are hereby authorised to make such exclusions or other arrangements in relation to the Excluded Shareholders (as defined in the Circular) as they may, at their absolute discretion, deem necessary, desirable or expedient after making such enquiries with respect to legal restrictions under the laws of the relevant overseas jurisdictions and the requirements of the relevant overseas regulatory bodies or stock exchanges as set out in the Circular;

NOTICE OF THE SGM

- (d) the entering into of the underwriting agreement dated 27 November 2012 (“Underwriting Agreement”), a copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification, between the Company and Century Hero International Limited as the underwriter (“Underwriter”) in respect of the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue any Rights Shares thereunder) be and are hereby approved and the execution and entering into the Underwriting Agreement by any director of the Company be and is hereby approved, confirmed and ratified; and
- (e) the directors of the Company be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to the Rights Issue, the Underwriting Agreement, the transactions contemplated thereunder respectively or otherwise contemplated under this resolution, including where appropriate, agreeing to any non-material amendments to the terms and conditions of the Rights Issue and the Underwriting Agreement to the extent permitted by the Listing Rules and the applicable law and all circumstances in the interests of the Company and its shareholders.”

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

Hong Kong, 18 December 2012

Registered office:
Canon’s Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place
of business:*
19th Floor
9 Des Voeux Road West
Hong Kong

NOTICE OF THE SGM

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holdings.
4. Votes cast at a general meeting will be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.
5. As at the date of this notice, the Board comprises Mr. Eav Yin (Chairman), Mr. Eav Ming Keong, Kinson, Mr. Duong Ming Chi, Henry 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.