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ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

POSSIBLE DISCLOSABLE TRANSACTION RELATING TO THE SURRENDER OF A LEASE

THE SURRENDER OF LEASE

The Board announces that on 14 January 2021, Time City entered into the Lease Surrender Agreement with the Landlord in respect of the surrender of the Premises leased under the Existing Lease. The Group is currently operating a retail store at the Premises, selling third-party top-branded luxury timepieces.

IMPLICATIONS UNDER THE LISTING RULES

The surrender of the Premises leased under the Existing Lease may result in a decrease in the amount of right-of-use asset recognised. This decrease will be regarded as a disposal of asset by the Group within the meaning of Rule 14.04(1)(a) of the Listing Rules.

The highest of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in respect of the Lease Surrender Agreement exceeds 5% but is below 25%. Accordingly, the transaction contemplated under the Lease Surrender Agreement constitutes a disclosable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 14 January 2021, Time City entered into the Lease Surrender Agreement with the Landlord in respect of the surrender of the Premises leased under the Existing Lease. The Group is currently operating a retail store at the Premises, selling third-party top-branded luxury timepieces.

THE LEASE SURRENDER AGREEMENT

The principal terms of the Lease Surrender Agreement are as follow:

Date: 14 January 2021

Parties: (a) Bridam Limited, a limited liability company incorporated in Hong Kong, as the landlord. The principal or ancillary activities carried on by the Landlord are investment and leasing of property.

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiry, the Landlord and its ultimate beneficial owner(s) is/ are third parties independent of the Company and its connected persons.

(b) Time City (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, as the tenant.

Premises: Shops No. 1, 2 and 3 on the Ground Floor of Manley House, No. 86-98 Canton Road, Kowloon, Hong Kong.

Existing Term and Surrender Date: The term of the Existing Lease is six years from 16 May 2013 and extended for a further term of thirty six (36) months from 16 May 2019 to 15 May 2022 by the Addendum.

The Landlord shall from 1 April 2021 onwards be entitled to give Time City one calendar month’s notice demanding for delivery of vacant possession of the Premises. On expiry of the notice, Time City shall surrender the Premises. Time City shall pay the rent, rates, management fees and outgoings in respect of the Premises in accordance to the Existing Lease up to and including the Surrender Date.

Effective date: The Lease Surrender Agreement shall not take effect unless and until the Landlord has entered into a New Tenancy Agreement with a new tenant.

Release and discharge: Upon delivery of vacant possession of the Premises by Time City pursuant to the terms of the Lease Surrender Agreement, the Landlord and Time City shall release and discharge each other from all of its covenants, obligations, duties and liabilities under the Existing Lease as from the Surrender Date.

Amount payable by Time City: The tenant's deposit in the sum of HK\$12,960,000.00 shall be used to set off any outstanding rent, management fees and air-conditions charges incurred on or before the Surrender Date and reimburse the Landlord of (i) all legal costs and expenses, stamp duty and estate agent commission incurred by the Landlord in respect of the Existing Lease, Lease Surrender Agreement and the New Tenancy Agreement; and (ii) any deficiency of rent receivable by the Landlord under Existing Lease and the New Tenancy Agreement for the residue of the term of the Existing Lease after the Surrender Date. If the tenant's deposit is insufficient to settle the amounts payable above, Time City shall pay the remaining balance of the loss and damages of the Landlord within seven days written demand.

On the basis that the Surrender Date is 1 May 2021, the maximum amount payable by the Group under the Lease Surrender Agreement is expected to be approximately HK\$45.3 million. This is calculated after taking into account the current monthly rental payable under the Existing Lease and total marketing and operation contributions to Time City in respect of sales and marketing programmes, and an estimate of the total amount of the related legal costs and expenses, stamp duty and estate agent commission payable by Time City.

Company's corporate guarantee: The corporate guarantee given by the Company to guarantee the performance and observance of the Time City's obligations under the Existing Lease shall be returned within 30 days from the Surrender Date.

EFFECT OF THE LEASE SURRENDER AGREEMENT

The surrender of the Existing Lease may result in a decrease in the amount of right-of-use asset recognised, and this decrease will be regarded as a disposal of asset by the Group within the meaning of Rule 14.04(1)(a) of the Listing Rules.

The carrying amount of the right-of-use asset relating to the Existing Lease recognised under application of HKFRS 16 as at 30 September 2020 was nil as full impairment loss was recognised in the year ended 31 March 2020. On the basis that the Surrender Date is 1 May 2021 and the Group is paying the maximum amount payable to the Landlord pursuant to the Lease Surrender Agreement, there will be a decrease in value of the right-of-use asset related to the Existing Lease amounting to HK\$42.5 million upon the derecognition of this asset, however, as full impairment of this asset has been made before, there will be no gain or loss to the Group arising from the surrender of the leased Premises pursuant to the Lease Surrender Agreement. The actual financial effect to the Group from the Lease Surrender Agreement and the amount involved will be dependent on the date when it comes into effect and the actual amount that the Group is liable to pay to the Landlord under the terms of the Lease Surrender Agreement as disclosed above.

REASONS FOR AND BENEFITS OF THE LEASE SURRENDER AGREEMENT

The Group is currently operating eight stores, one in the Premises and seven in Beijing, Shanghai, Nantong and Xiamen in the PRC. The store being operated by the Group at the Premises is an authorised retail shop selling third-party top-branded luxury timepieces. As disclosed in the Company's announcements dated 19 March 2020, 29 June 2020 and 25 November 2020, the Group was informed by a major supplier that it will no longer supply its timepieces to the Group's Hong Kong authorised retail store after 28 February 2021. Accordingly, the Group decided to enter into the Lease Surrender Agreement with the Landlord to surrender the Premises so as to terminate the Existing Lease.

The supply by the major supplier of branded luxury timepieces for sale in the Group's other stores in the Mainland China is not affected. The Group will continue its efforts in the PRC luxury market to develop and strengthen the trading of watches (retail and wholesale) business while streamlining its operating cost.

The terms of the Lease Surrender Agreement are agreed to by the Group after arm's length's negotiations with the Landlord. The Directors consider that the terms of the Lease Surrender Agreement are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The surrender of the Premises leased under the Existing Lease may result in a decrease in the amount of right-of-use asset recognised. This decrease will be regarded as a disposal of asset by the Group within the meaning of Rule 14.04(1)(a) of the Listing Rules.

The highest of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in respect of the Lease Surrender Agreement exceeds 5% but is below 25%. Accordingly, the transaction contemplated under the Lease Surrender Agreement constitutes a disclosable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding and the principal activities of the Group are the trading of watches (retail and wholesale) and property leasing.

DEFINITIONS

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

“the Addendum”	an addendum dated 2 February 2017 to the lease agreement dated 1 November 2011 entered into by Time City and the Landlord in respect of the Premises
“the Board”	board of Directors
“the Company”	Asia Commercial Holdings Limited, a Company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 104)
“connected person”	has the meaning ascribed to such term in the Listing Rules
“the Director(s)”	the directors of the Company
“Existing Lease”	the existing lease agreement dated 1 November 2011 entered into by Time City and the Landlord in respect of the Premises, as extended and amended by the Addendum
“the Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“the Landlord”	Bridam Limited, a limited liability company incorporated in Hong Kong
“the Lease Surrender Agreement”	the lease surrender agreement dated 14 January 2021 entered into by Time City and the Landlord in respect of surrendering of the Premises the Existing Lease
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Tenancy Agreement”	a new tenancy agreement to be entered into between the Landlord with a new tenant in respect of the Premises
“the PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“the Premises”	the premises at which the Group is operating a luxury retail shop in Hong Kong, and more particularly set out under the sub-heading “The Premises” in the section headed “The Lease Surrender Agreement” in this announcement
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning as ascribed to it under the Listing Rules
“the Surrender Date”	the date of expiration of the Landlord’s one calendar months’ notice in writing, demanding for delivery of vacant possession of the Premises pursuant to the Lease Surrender Agreement

“Time City”

Time City (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“%”

per cent.

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

Hong Kong, 14 January 2021

As at the date of this announcement, the Board comprises Ms. Eav Xin Qi Rosanna and Mr. Eav Feng Ming, Jonathan as executive directors and Mr. Lai Si Ming, Mr. Lee Tat Cheung, Vincent and Mr. Kee Wah Sze as independent non-executive directors.

* *For identification purposes only*