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CASH 
CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
時富投資集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 1049)

MAJOR TRANSACTION
IN RELATION TO
THE NEW TENANCY

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The Board announces that on 1 November 2019, Pricerite Home Limited (a subsidiary of the Company) as the Tenant and the Landlord (Independent Third Parties) entered into the Tenancy Offer in respect of the tenancy of the Premises for use as warehouse of retail management business of the Group.

IMPLICATIONS UNDER THE LISTING RULES

Upon implementation of HKFRS 16 effective from 1 January 2019, the Group if entering into lease transaction as a lessee should recognise the right-of-use asset in the consolidated financial statements of the Company according to HKFRS 16. Under the Listing Rules, the entering into lease transaction by the Group as lessee effective from 1 January 2019 will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

The terms of tenancy of the Tenancy Offer comprise of Fixed Term and Renewed Term. For the purpose of cost effective and more flexibility to the Board in exercising the Option for the Renewed Term, the Company will also seek the Shareholders' approval necessary for the exercise of the Option for the Renewed Term in addition to the Tenancy Offer at the SGM pursuant to Rule 14.76(2) of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in respect of the value of the right-of-use assets for the Fixed Term and/or in aggregate with the Renewed Term under the Tenancy Offer exceed 25% but are less than 100%, such transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular of the Company containing, among other things, details of the Tenancy Offer and the Option and notice of the SGM will be despatched to the Shareholders on or before 20 December 2019 as the Company expects that it requires more time to collate the financial information to be included in the circular.

INTRODUCTION

The Board announces that on 1 November 2019, Pricerite Home Limited (a subsidiary of the Company) as the Tenant and the Landlord (Independent Third Parties) entered into the Tenancy Offer in respect of the tenancy of the Premises for use as warehouse of retail management business of the Group.

THE TENANCY OFFER AND THE OPTION

Date: 1 November 2019

The Parties: (i) Shine Fame Holdings Limited (being the landlord of the Premises) or its duly authorised attorney or agent.

(ii) Pricerite Home Limited (a subsidiary of the Company), with principal activity of retailing of furniture and household goods, as the Tenant.

The principal or ancillary activities carried on by the Landlord include investment and/or property leasing.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are the Independent Third Parties.

The Premises: A Portion of Ground Floor in the warehouse accommodation of China Resources International Logistics Centre, 2 Tat Mei Road, Kwai Chung, N.T., Hong Kong.

Terms: The tenancy comprises Fixed Term and the Renewed Term for seven (7) years commencing from 1 May 2020 and expiring on 30 April 2027 (both days inclusive) as follows:-

Fixed Term

Four (4) years fixed term commencing from 1 May 2020 and expiring on 30 April 2024 (both days inclusive).

The Option for the Renewed Term

The Tenant shall have an option to renew the tenancy of the Premises for a period of three (3) years commencing from 1 May 2024 to 30 April 2027 (both days inclusive) after the expiry date of the Fixed Term subject to and upon the terms and conditions of the Tenancy Offer.

The Tenant shall notify the Landlord in writing of its intention to exercise the Option to renew the tenancy not less than nine months before the expiry date of the Fixed Term. The renewed rent for the Renewed Term will be a prevailing market rent which shall not exceed the maximum amount as stated in the Tenancy Offer and shall be agreed by the Parties or determined by a Chartered Surveyor in the event that the Parties fail to reach an agreement.

No consideration is payable for the grant of the Option and no penalty will be borne by the Tenant in the event that the Option is not exercised by the Tenant.

The aggregate value of consideration payable: The aggregate value of consideration, including rent, stamp duty and estimated reinstatement cost by the Tenant, payable under the Tenancy Offer amounted to approximately HK\$111,840,000 (being approximately HK\$55,802,000 for the Fixed Term and approximately HK\$56,038,000 for the Renewed Term (calculated based on maximum rental as set out in the Tenancy Offer), which will be satisfied by internal resources of the Group.

The rent under the Tenancy Offer and the Option is determined after arm's length negotiations between the Parties, after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises.

- Rent free period: Six (6) months' rent free period from 1 May 2020 to 31 October 2020 (both days inclusive). The Tenant shall be responsible for the government rent, rates, management fees, debris removal charges and all other outgoings (if any) during such rent free period.
- Payable term: The rent shall be payable in advance on the first day of each and every calendar month.
- Condition precedent: The Tenancy Offer and the exercise of the Option are conditional upon the approval by the Shareholders at the SGM to be convened not later than 31 January 2020 or such later date as agreed by the Parties in writing pursuant to the requirements of the Listing Rules and all applicable laws and regulations (if any).
- Deposit: A sum equivalent to three months' rent, government rent, rates and management fees as deposit has been paid by the Tenant to the Landlord upon signing the Tenancy Offer. The deposit will be held by the Landlord's solicitors as stakeholders and will be released to the Landlord upon fulfilment of the condition precedent for the Tenancy Offer.
- If the condition above has not been fulfilled on or before 31 January 2020 or such later date as agreed by the Parties in writing, the above terms of tenancy shall be changed to a new short term tenancy, and the above deposit shall be transferred and treated as payment of security deposit for the new short term tenancy and thereafter the Landlord's solicitors shall release any balance of the deposit to the Tenant. The Company will make further announcement(s) at that time in compliance with the Listing Rules, if necessary.
- Formal tenancy agreement: The Tenancy Offer is legally binding upon execution by the Parties. Subject to condition precedent being fulfilled, the Parties will enter into a formal tenancy agreement not later than 31 January 2020 or such later date as agreed by the Parties in writing.

THE RIGHT-OF-USE ASSET

The value of the right-of-use asset recognised by the Company under the Tenancy Offer amounted to approximately HK\$96,517,000 (being approximately HK\$50,640,000 for the Fixed Term and approximately HK\$45,877,000 for the Renewed Term), which is the present value of aggregated lease payments less incentives (if any), plus initial direct costs and estimated reinstatement cost with the lease in accordance with HKFRS 16. Discount rate of 4.125% is applied to compute the present value of aggregate lease payments less incentives (if any) under the Tenancy Offer.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding. The principal activities of the Group consist of (a) retail management business including sales of furniture and household items and electrical appliances through the chain stores under multi-brand names including "Pricerite", "TMF", "SECO", "Galleon" and "W@W" in Hong Kong; (b) mobile internet services business; and (c) general investment holding. For additional information, please visit www.cash.com.hk.

REASONS FOR THE TENANCY OFFER AND THE OPTION

One of the principal businesses of the Group is operation of retail management businesses through our chain stores under multi-brand names including “Pricerite”, “TMF”, “SECO”, “Galleon” and “W@W” in Hong Kong. The terms of tenancy of the existing warehouses are going to expire from October 2019 to May 2020. In preparation for Pricerite’s business development and centralisation of warehouses into one location, the Directors consider that it is desirable to move to a modern, spacious and highly efficient warehouse to enhance the logistics function, inventory management and operating efficiency. The Directors consider it is beneficial to enter into the Tenancy Offer and relocate the warehouses to the Premises, which will facilitate the future expansion and growth of the retail management business of the Group.

In addition, the Board intends to exercise the Option in the event that the rental and the tenancy terms are favourable to the Tenant at the time of exercise. To allow flexibility to the Board in exercising the Option at appropriate timing and manner and cost effective to proceed the transaction, the Company will also seek the Shareholders’ approval necessary for the exercise of the Option in addition to the Tenancy Offer at the SGM pursuant to Rule 14.76(2) of the Listing Rules. Depending on the prevailing market conditions and economic situation at the time of exercise, the Company may or may not exercise the Option.

The terms of the Tenancy Offer and the Option (including the rental charge) were determined after arm’s length negotiations between the Parties and with reference to the open market rent of comparable properties. The Board considers that the terms of the Tenancy Offer and the Option are on normal commercial terms and fair and reasonable and entering into the Tenancy Offer and the grant for exercise of the Option are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Upon implementation of HKFRS 16 effective from 1 January 2019, the Group if entering into lease transaction as a lessee should recognise the right-of-use asset in the consolidated financial statements of the Company according to HKFRS 16. Under the Listing Rules, the entering into lease transaction by the Group as lessee effective from 1 January 2019 will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

The terms of tenancy of the Tenancy Offer comprise of Fixed Term and Renewed Term. For the purpose of cost effective and more flexibility to the Board in exercising the Option for the Renewed Term, the Company will also seek the Shareholders’ approval necessary for the exercise of the Option for the Renewed Term in addition to the Tenancy Offer at the SGM pursuant to Rule 14.76(2) of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in respect of the value of the right-of-use assets for the Fixed Term and/or in aggregate with the Renewed Term under the Tenancy Offer exceed 25% but are less than 100%, such transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

A circular of the Company containing, among other things, details of the Tenancy Offer and the Option and notice of the SGM will be despatched to the Shareholders on or before 20 December 2019 as the Company expects that it requires more time to collate the financial information to be included in the circular.

DEFINITION

“Board”	board of Directors
“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and the shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Fixed Term”	the tenancy of the Premises for a period of four years fixed term commencing from 1 May 2020 and expiring on 30 April 2024 (both days inclusive)
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	to the best of the directors’ knowledge, information and belief having made all reasonable enquiry, the Landlord and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“Landlord”	Shine Fame Holdings Limited (being the landlord of the Premises) or its duly authorised attorney or agent
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option which could be exercised at the discretion of the Tenant to renew the tenancy of the Premises for the Renewed Term pursuant to the terms of the Tenancy Offer
“Parties”	the Tenant and the Landlord
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Premises”	the premises as more particular set out under the sub-heading “The Premises” in the section headed “The Tenancy Offer and the Option” in this announcement
“Renewed Term”	the tenancy of the Premises for a period of three years commencing from 1 May 2024 to 30 April 2027 (both days inclusive) after the expiry date of the Fixed Term
“SGM”	a special general meeting of the Company to be convened and held to approve the Tenancy Offer and the exercise of the Option and the transaction contemplated thereunder
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tenancy Offer”	the tenancy offer dated 1 November 2019 entered into between the Parties in relation to the tenancy of the Premises
“Tenant”	Pricerite Home Limited, a company incorporated in Hong Kong with limited liability, is an over 90%-owned subsidiary of the Company
“%”	per cent.

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 1 November 2019

As at the date hereof, the directors of the Company are: -

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Chan Chi Ming Benson
Mr Leung Siu Pong James
Mr Ng Hin Sing Derek
Mr Kwan Teng Hin Jeffrey

Independent non-executive directors:

Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin

** For identification purposes only*