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A & S Group (Holdings) Limited
亞洲實業集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1737)

**MAJOR TRANSACTIONS IN RELATION TO RENEWAL OF
THE EXISTING WAREHOUSE TENANCY AGREEMENTS**

The Board is pleased to announce that the Tenant, being an indirect wholly-owned subsidiary of the Company, as tenant and the Landlord as landlord entered into the Offer Letters in respect of the Warehouse A for a renewal term of two years commencing from 1 July 2022 to 30 June 2024 (both dates inclusive) and the Warehouse B and Warehouse C for a renewal term of one year eleven months seventeen days commencing from 15 July 2022 and expiring on 30 June 2024 (both dates inclusive).

Pursuant to HKFRS 16, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Warehouses under the Offer Letters. Therefore, the entering into of the Offer Letters and the Transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules. The Directors consider that since the Offer Letters were entered into by the Tenant with the same Landlord within 12 months, the Transactions contemplated under the Offer Letters shall be aggregated under Rule 14.22 of the Listing Rules. The unaudited value of right-of-use assets recognised by the Company under the Offer Letters amounted to approximately HK\$77.2 million in aggregate.

As the applicable percentage ratio as defined under the Listing Rules in respect of the acquisition of right-of-use assets recognised by the Group pursuant to HKFRS 16 under the Offer Letters is 25% or more but is less than 100% when aggregated, the entering into the Offer Letters constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Offer Letters and the Transactions contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company was to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Offer Letters. As the Company has obtained written approval in accordance with Rule 14.44 of the Listing Rules from Dynamic Victor, which is beneficially interested in an aggregate of 750,000,000 Shares, representing approximately 75.0% of the entire issued capital of the Company as at the date of this announcement. The Company is exempted from convening a general meeting for the purpose of approving the Offer Letters and the Transactions contemplated thereunder.

A circular containing, amongst others, further information of the Transactions contemplated under the Offer Letters is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, that is, on or before 29 July 2022. The Company may not be able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, in which case the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

INTRODUCTION

The Board announces that the Tenant and the Landlord entered into the Offer Letters in respect of the Warehouse A for a renewal term of two years commencing from 1 July 2022 to 30 June 2024 (both days inclusive) and the Warehouse B and Warehouse C for a renewal term of one year eleven months seventeen days commencing from 15 July 2022 and expiring on 30 June 2024 (both dates inclusive).

THE OFFER LETTERS

A & S (HK) Logistics Limited has been leasing the Warehouse A, the Warehouse B and the Warehouse C from the Landlord since 2016, 2020 and 2020, respectively, partly as logistic centre and office premises. As the lease in respect of the Warehouse A was expired on 30 June 2022 and the leases in respect of the Warehouse B and the Warehouse C will be expired on 14 July 2022, A & S (HK) Logistics Limited and the Landlord have entered into the Offer Letters to extend and modify the terms of the Existing Warehouse Tenancy Agreements.

The principal terms of the Offer Letters are identical except the details of the Warehouses, the considerations involved and the principal terms of the Offer Letters are set out as follows:

Date: 30 June 2022

Parties: (1) Airport Freight Forwarding Centre Company Limited as landlord;
and
(2) A & S (HK) Logistics Limited, an indirect wholly-owned subsidiary of the Company as tenant.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this announcement.

Warehouses: Warehouse A: Units 1, 2, 3, 5, 6 and 7 and the Mezzanine Floor thereof on the Ground Floor and Units 8, 9, 10, 11, 50, 51, 52 and 53 on the Ground Floor of Airport Freight Forwarding Centre, No. 2 Chun Wan Road, Chek Lap Kok, Hong Kong.

Warehouse B: Unit 32 on the Ground Floor of Airport Freight Forwarding Centre, No. 2 Chun Wan Road, Chek Lap Kok, Hong Kong.

Warehouse C: Units 41 and 42 on the Ground Floor of Airport Freight Forwarding Centre, No. 2 Chun Wan Road, Chek Lap Kok, Hong Kong.

Lettable area: Warehouse A: Approximately 163,921 square feet

Warehouse B: Approximately 6,153 square feet

Warehouse C: Approximately 11,915 square feet

Term: Warehouse A: Two years commencing from 1 July 2022 and expiring on 30 June 2024 (both dates inclusive).

Warehouse B and Warehouse C: One year eleven months seventeen days commencing from 15 July 2022 and expiring on 30 June 2024 (both dates inclusive).

Rent: Warehouse A: HK\$2,890,809 per month payable in advance on the first day of each calendar month, exclusive of management charges and government rates and government rent

Warehouse B: HK\$110,754 per month payable in advance on the first day of each calendar month, exclusive of management charges and government rates and government rent

Warehouse A: HK\$214,470 per month payable in advance on the first day of each calendar month, exclusive of management charges and government rates and government rent

The rent was determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable warehouses in the vicinity of the Warehouses.

Rent free period: The Tenant shall be entitled to have a rent-free period as follow:

Warehouse A: From 1 July 2022 to 14 July 2022

Warehouse B: From 15 July 2022 to 28 July 2022

Warehouse C: From 15 July 2022 to 28 July 2022

Rental deposit: Warehouse A: Approximately HK\$9,616,107, equivalent to the aggregate of three months of monthly rental and monthly management charges.

Warehouse B: Approximately HK\$369,180, equivalent to the aggregate of three months of monthly rental and monthly management charges.

Warehouse C: Approximately HK\$714,900, equivalent to the aggregate of three months of monthly rental and monthly management charges.

Management charges: Warehouse A: Currently fixed at HK\$314,560 per month and subject to review from time to time

Warehouse B: Currently fixed at HK\$12,306 per month and subject to review from time to time

Warehouse C: Currently fixed at HK\$23,830 per month and subject to review from time to time

Use of premises:	The Group intends to use the Warehouses as logistics center and office premises.
Stamp duty:	The stamp duty shall be borne equally by the Landlord and the Tenant.
Warehouse Tenancy Agreements:	The formal Warehouse Tenancy Agreements shall be signed by the Tenant and returned to the Landlord within 14 days after the Landlord has sent the Warehouse Tenancy Agreements to the Tenant. The Warehouse Tenancy Agreements shall be in the standard form set by the Landlord.

The payment of the monthly rent, the rental deposit and the stamp duty will be funded by the internal resources of the Group.

THE RIGHT-OF-USE ASSETS

Based on preliminary estimation of the Company, the unaudited value of the right-of-use assets to be recognised by the Company under the Offer Letters shall amount to approximately HK\$77.2 million, which is the present value of the aggregate lease payments payable under the term of the Offer Letters in accordance with HKFRS 16. Discount rate of 2.90% for Warehouse A and 2.89% for Warehouse B and Warehouse C are applied to compute the present value of aggregate lease payments under the Offer Letters.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in the provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong.

A & S (HK) Logistics Limited

A & S (HK) Logistics Limited is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. A & S (HK) Logistics Limited is principally engaged in the provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong.

The Landlord

Airport Freight Forwarding Centre Company Limited, a company incorporated in Hong Kong with limited liability on 2 June 1994, a subsidiary of Sun Hung Kai Properties Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 16). Its group is principally engaged in property development for sale and property investment for rental purpose. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE RENEWAL OF THE WAREHOUSE TENANCY AGREEMENTS

A & S (HK) Logistics Limited has been leasing the Warehouse A, the Warehouse B and the Warehouse C from the Landlord since 2016, 2020 and 2020, respectively, partly as logistic centre and office premises. As the lease in respect of Warehouse A was expired on 30 June 2022 and the leases in respect of the Warehouse B and the Warehouse C will be expired on 14 July 2022, A & S (HK) Logistics Limited and the Landlord have entered into the Offer Letters to extend and modify the terms of the Existing Warehouse Tenancy Agreements. In evaluating the leases, the Directors consider that (i) the Group has been using part of the Warehouses as its logistics centre and office space for over 6 years for Warehouse A and 2 years for Warehouse B and Warehouse C; and (ii) the terms of the Offer Letters were determined after arm's length negotiations between the Landlord and the Tenant and with reference to the prevailing market price of comparable premises in the vicinity of the Premises.

The renewal of the Existing Warehouse Tenancy Agreements is necessary for continuing the business operation of the Group and is in the ordinary and usual course of business of the Group. In addition, the Directors consider that it is beneficial for and of administrative convenience to the Group to continue to lease the Warehouses from the Landlord by saving any unnecessary relocation and administration costs.

The Board considers that the terms and conditions of the Offer Letters and the Transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Warehouses under the Offer Letters. Therefore, the entering into of the Offer Letters and the Transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules. The Directors consider that since all the Offer Letters were entered into by the Tenant with the same Landlord within 12 months, the Transactions contemplated under the Offer Letters shall be aggregated under Rule 14.22 of the Listing Rules. The unaudited value of right-of-use assets recognised by the Company under the Offer Letters amounted to approximately HK\$77.2 million.

As the applicable percentage ratio as defined under the Listing Rules in respect of the acquisition of right-of-use assets recognised by the Group pursuant to HKFRS 16 under the Offer Letters is 25% or more but is less than 100% when aggregated, the entering into of the Offer Letters constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Offer Letters and the Transactions contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company was to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Offer Letters. As the Company has obtained written approval in accordance with Rule 14.44 of the Listing Rules from Dynamic Victor, which is beneficially interested in an aggregate of 750,000,000 Shares, representing approximately 75.0% of the entire issued capital of the Company as at the date of this announcement. The Company is exempted from convening a general meeting for the purpose of approving Offer Letters and the Transactions contemplated thereunder as permitted under Rule 14.44 of the Listing Rules.

A circular containing, amongst others, further information of the Transactions contemplated under the Offer Letters is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, that is, on or before 29 July 2022. The Company may not be able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, in which case the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“A & S (HK) Logistics Limited” or “Tenant”	A & S (HK) Logistics Limited (亞洲實業(香港)物流有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	A & S Group (Holdings) Limited (亞洲實業集團(控股)有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange since 14 March 2018
“Director(s)”	the director(s) of the Company

“Dynamic Victor”	Dynamic Victor Limited, which is owned as to 65% by Mr. Law Kwok Leung Alex, an executive Director and 35% by Mr. Law Kwok Ho Simon, an executive Director
“Existing Warehouse Tenancy Agreements”	the existing tenancy agreements dated 18 March 2019, 20 July 2020 and 20 July 2020 entered into between A & S (HK) Logistics Limited and the Landlord in respect of Warehouse A, Warehouse B and Warehouse C, respectively
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party independent of the Company and its connected persons in accordance with the Listing Rules
“Landlord”	Airport Freight Forwarding Centre Company Limited, a company incorporated in Hong Kong with limited liability on 2 June 1994, a subsidiary of Sun Hung Kai Properties Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 16), an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Letters”	the offer letters issued by A&S (HK) Logistics Limited as tenant to the Landlord on 30 June 2022 and accepted by the Landlord on 8 July 2022 in respect of the renewal of the Existing Warehouse Tenancy Agreements
“PRC”	The People’s Republic of China
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transactions”	the leasing of the Warehouses by the Tenant under the terms set out in the Offer Letters
“Warehouses”	Warehouse A, Warehouse B and Warehouse C
“Warehouse A”	Units 1, 2, 3, 5, 6 and 7 and the Mezzanine Floor thereof on Ground Floor and Units 8, 9, 10, 11, 50, 51, 52 and 53 on the Ground Floor of Airport Freight Forwarding Centre, No. 2 Chun Wan Road, Chek Lap Kok, Hong Kong
“Warehouse B”	Unit 32 on the Ground Floor Airport Freight Forwarding Centre, No. 2 Chun Wan Road, Chek Lap Kok, Hong Kong
“Warehouse C”	Units 41 and 42 on the Ground Floor Airport Freight Forwarding Centre, No. 2 Chun Wan Road, Chek Lap Kok, Hong Kong
“Warehouse Tenancy Agreement”	the Warehouse tenancy agreement to be entered into between the Tenant and the Landlord in the standard form set by the Landlord pursuant to the Offer Letters
“%”	per cent

By Order of the Board
A & S Group (Holdings) Limited
Law Kwok Leung Alex
Chairman and Executive Director

Hong Kong, 8 July 2022

As at the date of this announcement, the Board comprises Mr. Law Kwok Leung Alex, Mr. Law Kwok Ho Simon and Mr. Chiu Tat Ting Albert as executive Directors and Mr. Ho Chun Chung Patrick, Mr. Iu Tak Meng Teddy and Mr. Kwan Ngai Kit as independent non-executive Directors.