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ASR Logistics Holdings Limited

瀚洋物流控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1803)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS		2014	2013
Revenue	<i>HK\$ million</i>	907.5	806.7
Gross profit	<i>HK\$ million</i>	163.7	214.7
Gross profit margin	<i>%</i>	18.0	26.6
Profit for the year	<i>HK\$ million</i>	12.9	92.7
Profit attributable to equity holders	<i>HK\$ million</i>	13.1	93.1
Profit margin	<i>%</i>	1.4	11.5
Basic earnings per share	<i>HK cents</i>	1.64	11.63
Diluted earnings per share	<i>HK cents</i>	1.63	11.63
Return on equity	<i>%</i>	22.9	31.1

ANNUAL RESULTS

The Board is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2014 as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	2	907,473	806,713
Cost of sales		<u>(743,821)</u>	<u>(592,002)</u>
Gross profit		163,652	214,711
Other losses, net		(5,266)	(1,346)
Other income		2,829	—
Administrative expenses		<u>(137,938)</u>	<u>(102,836)</u>
Operating profit		23,277	110,529
Finance income, net		<u>221</u>	<u>557</u>
Share of losses of associated companies		<u>(664)</u>	<u>—</u>
Profit before income tax		22,834	111,086
Income tax expense	5	<u>(9,951)</u>	<u>(18,380)</u>
Profit for the year		12,883	92,706
Other comprehensive (loss)/income			
<i>Items that have been reclassified or may be reclassified to profit or loss</i>			
Change in fair value of available-for-sale financial assets		(762)	—
Currency translation differences		<u>310</u>	<u>1,301</u>
Total comprehensive income for the year		<u><u>12,431</u></u>	<u><u>94,007</u></u>
Profit attributable to:			
- Equity holders of the Company		13,117	93,050
- Non-controlling interests		<u>(234)</u>	<u>(344)</u>
		<u><u>12,883</u></u>	<u><u>92,706</u></u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total comprehensive income attributable to:			
- Equity holders of the Company		12,409	94,375
- Non-controlling interests		<u>22</u>	<u>(368)</u>
		<u>12,431</u>	<u>94,007</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to equity holders of the Company			
— Basic	7	<u>1.64</u>	<u>11.63</u>
— Diluted		<u>1.63</u>	<u>11.63</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends	8	<u>126,629</u>	<u>156,800</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		9,202	7,184
Intangible assets		2,506	557
Available-for-sale financial assets		15,653	—
Investment in an associated company		—	1
Loan to an associated company		3,071	3,600
Prepayment and other receivables		—	3,741
Long-term deposits		582	1,441
Deferred income tax assets		<u>1,506</u>	<u>550</u>
		32,520	17,074
Current assets			
Trade receivables	3	145,591	133,592
Prepayments, deposits and other receivables		12,105	6,952
Other current assets		3,096	1,930
Pledged deposits		6,967	26,882
Cash and cash equivalents		<u>228,808</u>	<u>252,534</u>
		396,567	421,890
Total assets		<u>429,087</u>	<u>438,964</u>
EQUITY			
Share capital	6	4,034	4,000
Reserves		<u>53,286</u>	<u>294,869</u>
		57,320	298,869
Non-controlling interests		<u>2,225</u>	<u>1,269</u>
Total equity		<u>59,545</u>	<u>300,138</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Finance lease liabilities		170	—
Deferred income tax liabilities		<u>822</u>	<u>1,479</u>
		992	1,479
Current liabilities			
Trade payables	4	167,473	89,619
Finance lease liabilities		73	7
Dividend payable		121,029	—
Current income tax payable		7,507	15,594
Other payables and accruals		38,858	32,127
Borrowings		<u>33,610</u>	<u>—</u>
		368,550	137,347
Total liabilities		<u>369,542</u>	<u>138,826</u>
Total equity and liabilities		<u>429,087</u>	<u>438,964</u>
Net current assets		<u>28,017</u>	<u>284,543</u>
Total assets less current liabilities		<u>60,537</u>	<u>301,617</u>

NOTES

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

(a) Going Concern Basis

As at 31 December 2014, the Group had total banking facilities of approximately HK\$230,026,000, of which approximately HK\$33,610,000 bank borrowings and approximately HK\$80,087,000 bank guarantees were utilised. These banking facilities are subject to renewal. The Group has failed to comply with a restrictive financial covenant requirement of certain banking facilities as at 31 December 2014. The total banking facilities from these banks were approximately HK\$173,600,000, of which approximately HK\$24,674,000 bank borrowings and HK\$58,513,000 bank guarantees had been drawn down and utilised as at 31 December 2014. As at the date of approval of the consolidated financial statements, no waivers had been obtained from these banks from complying with the covenant. The breach of the restrictive financial covenant requirement constitutes an event of default in accordance with the bank facility arrangements, which may cause the relevant banking facilities of HK\$173,600,000 be voided, cancelled, terminated, reduced or not renewed, such that the existing bank guarantees of HK\$58,513,000 might be terminated any time, and these banks might also request for immediate repayment of the outstanding borrowings of HK\$24,674,000. Bank guarantees are required by airlines and integrated carriers to allow the Group to secure cargo space and to operate under the terms and conditions as agreed with airlines and integrated carriers. Without these banking facilities, additional funding and working capital will be required by the Group to fulfil the bank guarantee requirements of the airlines and integrated carriers and to continue its air freight business without significant curtailment.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern.

The directors of the Company have reviewed the Group’s cash flow projections, which cover a period of twelve months from 31 December 2014. The directors are of the opinion that, taking into account the following, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2014:

- (i) The management maintains continuous communication with the Group’s principal banks and the directors are of the opinion that all banking facilities, including those that have covenants being breached as at 31 December, 2014, will continue to be available to the Group for the next 12 months from the date of the balance sheet.

- (ii) On 23 March 2015, ASR Victory Limited (“ASR Victory”), a shareholder of the Group, together with the Group’s three directors, Mr. Yu Ho Yuen, Sunny, Mr. Mak Chi Hung, Richard and Mr. Law Kai Lo, Niki, (collectively the “Guarantors”), entered into a deed of funding undertakings to provide sufficient funding to the Group in the event that its existing banking facilities are voided, cancelled, terminated, reduced or not renewed. The funding notice shall be issued by the Company to ASR Victory and the Guarantors within 12 months of the date of the deed. The total amount of funding undertaking shall not exceed HK\$120 million.

The funding when provided shall be treated as an advance to the Company and be repayable by the Company at a suitable time to be agreed among the Company, ASR Victory and the Guarantors, but in any event shall be fully repaid on or before 24 months from the date of the deed.

In the opinion of the directors, in light of the above, the Group will have sufficient financial resources to finance its operations and to fulfil its bank guarantee requirements and financial obligations as and when they fall due in the coming twelve months from the date of the balance sheet. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to obtain the necessary funding as described above as and when needed. Whether the Group will be able to continue as a going concern would depend upon the Group’s ability to generate adequate cash flows by successfully negotiating with the banks to continue to provide banking facilities to the Group, obtaining necessary funding from ASR Victory and the Guarantors as needed that will be repayable beyond twelve months from the balance sheet date, and generating adequate operating cash inflows. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group’s assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements are prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) and the applicable disclosure provisions of the Listing Rules, which are applicable to 2014 annual report. The financial statements will comply with the applicable disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622) according to the applicable disclosure provisions of the Listing Rules in the 2015 annual report.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(b) **Amendments to existing standards and interpretation effective in 2014 but have no significant impact or are not relevant to the Group**

HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non — financial assets
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting
HKFRS 10, HKFRS 12 and HKAS 27(2011) (Amendment)	Investment entities
HK(IFRIC) — Int 21	Levies

(c) **New standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group**

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 19 (2011) (Amendment)	Defined benefit plans: Employees contributions	1 July 2014
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization	1 January 2016
HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: Applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
Annual Improvement Project	Annual improvements 2010-2012 cycle	1 July 2014
Annual Improvement Project	Annual improvements 2011-2013 cycle	1 July 2014
Annual Improvement Project	Annual improvements 2012-2014 cycle	1 January 2016

The Group is assessing the impact of these new standards and amendments to existing standards. The Group will apply these new standards and amendments to existing standards when they are effective in the respective annual periods.

(d) **New Hong Kong Companies Ordinance (Cap.622)**

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into effect as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. **Sales and segment information**

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of air freight services in the wholesale market.

The chief operating decision-maker has been identified as the executive Directors. The executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive Directors assess the performance of the business from a geographical perspective, i.e. by destinations of air freight services.

The segment information provided to the executive Directors for the reportable segments for the year ended 31 December 2014 is as follows:

	Europe <i>HK\$'000</i>	America <i>HK\$'000</i>	Asia-Pacific <i>HK\$'000</i>	Africa <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sales to external customers	109,892	77,962	619,653	99,966	907,473
Cost of sales	(99,952)	(74,025)	(484,245)	(85,599)	(743,821)
Segment results	2,216	877	30,186	3,204	36,483
Unallocated expense, net					(9,486)
Depreciation					(3,361)
Amortisation					(359)
Operating profit					23,277
Finance income, net					221
Share of losses of associated companies					(664)
Profit before income tax					22,834
Income tax expense					(9,951)
Profit for the year					12,883

Revenue of approximately HK\$903,600,000 and HK\$3,873,000 were derived from air freight service and sea freight service, respectively.

The segment information provided to the executive Directors for the reportable segments for the year ended 31 December 2013 is as follows:

	Europe <i>HK\$'000</i>	America <i>HK\$'000</i>	Asia-Pacific <i>HK\$'000</i>	Africa <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sales to external customers	124,387	82,560	506,437	93,329	806,713
Cost of sales	<u>(113,108)</u>	<u>(78,697)</u>	<u>(319,062)</u>	<u>(81,135)</u>	<u>(592,002)</u>
Segment results	<u>6,334</u>	<u>2,168</u>	<u>105,214</u>	<u>6,848</u>	<u>120,564</u>
Unallocated expense, net					(7,471)
Depreciation					<u>(2,564)</u>
Operating profit					110,529
Finance income, net					<u>557</u>
Profit before income tax					111,086
Income tax expense					<u>(18,380)</u>
Profit for the year					<u><u>92,706</u></u>

Revenue of approximately HK\$805,219,000 and HK\$1,494,000 were derived from air freight service and sea freight service, respectively.

3 Trade receivables

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	<u>145,591</u>	<u>133,592</u>

The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 30 to 60 days.

As at 31 December 2014 and 2013, the ageing analysis of trade receivables based on invoice date was as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
- 0 to 30 days	96,296	79,980
- 31 to 60 days	30,326	37,864
- 61 to 90 days	10,854	11,716
- Over 90 days	<u>8,115</u>	<u>4,032</u>
	<u>145,591</u>	<u>133,592</u>

The maximum exposure to credit risk as at the balance sheet date is the fair values of the trade receivables. The Group did not hold any collateral as security.

As at 31 December 2014 and 2013, the carrying amounts of trade receivables approximated their fair values.

4 Trade payables

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>167,473</u>	<u>89,619</u>

As at 31 December 2014 and 2013, the ageing analysis of trade payables based on invoice date was as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
- 0 to 30 days	67,092	50,749
- 31 to 60 days	27,779	20,163
- 61 to 90 days	12,650	6,236
- 91 to 120 days	10,311	1,857
- Over 120 days	<u>49,641</u>	<u>10,614</u>
	<u>167,473</u>	<u>89,619</u>

As at 31 December 2014 and 2013, the carrying amounts of trade payables approximated their fair values.

5. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits during the year.

Macau complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to approximately HK\$31,000) but below MOP300,000 (equivalent to approximately HK\$291,000), and thereafter at a fixed rate of 12%. For the year ended 31 December 2014, a special complementary tax incentive was provided to the effect that tax free income threshold was increased from MOP32,000 to MOP300,000 (equivalent to approximately HK\$31,000 to HK\$291,000) and thereafter at a fixed rate of 12%. For the year ended 31 December 2013, a special complement tax incentive was provided to the effect that tax free income threshold was increased from MOP32,000 to MOP200,000 (equivalent to approximately HK\$31,000 to HK\$194,000) with the next MOP100,000 (equivalent to approximately HK\$97,000) of profit being taxed at a fixed rate of 9% and thereafter at a fixed rate of 12%.

The Group's operations in Mainland China are subject to PRC corporate income tax. The standard PRC corporate income tax rate is 25%. Preferential rate of 5% withholding income tax is also imposed on dividends relating to any profits earned by the PRC incorporated subsidiaries commencing from 1 January 2008 when distributed to the holding companies incorporated in Hong Kong.

Taxation outside Hong Kong and China has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong profits tax	2,638	1,993
	-----	-----
Tax outside Hong Kong		
Macau	3,358	12,817
Mainland China	1,835	2,860
Others	2,310	298
	-----	-----
	7,503	15,975
	-----	-----
Under/(over)-provision in prior year		
Hong Kong profits tax	(64)	(78)
Tax outside Hong Kong	1,487	—
	-----	-----
	1,423	(78)
	-----	-----
Deferred income tax	(1,613)	490
	-----	-----
	9,951	18,380
	-----	-----

6. Share capital and share premium

	Number of shares		Amount
	At HK\$0.01 each	At HK\$0.005 each	HK\$'000
Ordinary shares			
Authorised:			
At 1 January 2013	2,000,000,000	—	20,000
Effect of share subdivision to HK\$0.005 each	(2,000,000,000)	4,000,000,000	—
At 31 December 2013 and 31 December 2014	<u>—</u>	<u>4,000,000,000</u>	<u>20,000</u>
Ordinary shares, issued and fully paid:			
At 1 January 2013	400,000,000	—	4,000
Effect of share subdivision to HK\$0.005 each	(400,000,000)	800,000,000	—
At 31 December 2013	—	800,000,000	4,000
Exercise of share options	—	6,860,000	34
At 31 December 2014	<u>—</u>	<u>806,860,000</u>	<u>4,034</u>
Share premium			
At 31 December 2013			<u>72,565</u>
At 31 December 2014			<u>51,561</u>

7. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue during the year ended 31 December 2014 and 2013 used to calculate the basic earnings per share has accounted for the share subdivision which was effective from 24 May 2013. Each share of the Company of HK\$0.01 per share was subdivided into two shares of HK\$0.005 per share.

	2014	2013
Profit attributable to equity holders of the Company (HK\$'000)	13,117	93,050
Weighted average number of ordinary shares in issue (in thousand shares)	800,469	800,000
Basic earnings per share (HK cents per share)	1.64	11.63

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares due to share options. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014	2013
Profit attributable to equity holders of the Company (HK\$'000)	13,117	93,050
Weighted average number of ordinary shares in issue (in thousand shares)	800,469	800,000
Adjustment for share options	<u>1,925</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (in thousands shares)	<u>802,394</u>	<u>800,000</u>
Diluted earnings per share (HK cents per share)	<u>1.63</u>	<u>11.63</u>

Diluted earnings per share for the year ended 31 December 2013 is the same as the basic earnings per share as there is no potential ordinary share for the year ended 31 December 2013. The potential ordinary shares due to share options are anti-dilutive for the year ended 31 December 2013 but are dilutive for the year ended 31 December 2014.

8. Dividends

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividends declared and paid by the Company		
— HK0.7 cents per share (2013: HK2.8 cents per share)		
(Note (a))	5,600	22,400
Special dividends declared by the Company		
— HK15 cents per share (Note (b))	121,029	—
Final dividends declared and paid by the Company		
— Nil (2013: HK1.8 cents per share) (Note (c))	—	14,400
Special dividends declared and paid by the Company		
— HK15 cents per share (Note (d))	<u>—</u>	<u>120,000</u>
	<u>126,629</u>	<u>156,800</u>

The final and special dividends declared after the year ended 31 December 2013 have not been recognised as liabilities at the end of the reporting period.

Notes:

- (a) Interim dividend for the year ended 31 December 2014 of HK0.7 cents per share amounting to HKD\$5,600,000 was proposed by the board of Directors on 25 August 2014.

Interim dividend for the year ended 31 December 2013 of HK2.80 cents per share amounting to HK\$22,400,000 was proposed by the board of directors on 26 August 2013.

- (b) Special dividend for the year ended 31 December 2014 of HK15 cents per share amounting to HK\$121,029,000 was proposed by the board of Directors on 27 November 2014. The payment of this special dividend is out of the retained earnings and share premium account pursuant to Articles 136 and 137 of the Article of Association and in accordance with the Cayman Companies Law.

- (c) No final dividend for the year ended 31 December 2014 was proposed by the board of Directors on 25 March 2015.

Final dividend for the year ended 31 December 2013 of HK1.8 cents per share amounting to HK\$14,400,000 is based on 800,000,000 shares in issue as at 31 December 2013 and was proposed by the board of Directors on 18 March 2014.

- (d) Special dividend for the year ended 31 December 2013 of HK15 cents per share amounting to HK\$120,000,000 was proposed by the board of Directors on 18 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group has reported an attributable profit of HK\$13.1 million for the year ended 31 December 2014 (2013: HK\$93.1 million). In 2014, volume of cargo handled increased to 69,184 tons (2013: 53,058 tons), revenue rose by 12.5% to HK\$907.5 million (2013: HK\$806.7 million) and gross profit was HK\$163.7 million (2013: HK\$214.7 million) with gross profit margin at 18.0% (2013: 26.6%).

During the year, the Board of Directors has declared an interim dividend of HK\$0.007 per share (2013: HK\$0.028) and a special dividend of HK\$0.15 per share (2013: HK\$0.15). This represents a total dividend for the year of HK\$0.157 per share and represents a total distribution for the year of HK\$126.6 million. The Board does not recommend the payment of any final dividend for the year ended 31 December 2014.

Despite the challenging business environment, revenue of the Group still managed to grow with its added capacity and expanded business network. As at 31 December 2014, the number of airline and integrated carrier appointments with the Group increased to more than 55 (2013: 50), and the number of office locations increased to 37 in total (2013: 29). However, over-capacity in the air cargo market continues to put downward pressure on yield performance. While the revenue of the Group increased, there was decrease in profit of our Group for the year of 2014 as compared to the year of 2013 mainly due to the decrease in gross profit of the Group, and increase in administrative costs attributable to the Group's expansion of business, sales and service network including staff costs which rose to HK\$84.9 million (2013: HK\$60.7 million), office rentals increased to HK\$11.7 million (2013: HK\$8.0 million), marketing, promotion and travelling expenses increased to HK\$16.4 million (2013: HK\$15.2 million).

Notwithstanding the failure to comply with the restrictive financial covenant requirement of certain banking facilities as mentioned in notes 1(a) of this annual results, the Company has not received any notice from the banks that they will cancel, terminate, reduced or not renewed the existing banking facilities. Further, the Company has not received any request from the banks for immediate repayment of the outstanding borrowings.

In the opinion of the Director, the Group will have sufficient financial resources to finance its operations and to fulfill its bank guarantee requirements and financial obligations as and when they fall due in the coming twelve months from the date of the balance sheet.

CHANGE IN CONTROLLING SHAREHOLDERS

Immediately after completion of the acquisition of Shares pursuant to a share purchase agreement dated 10 December 2014, on 12 January 2015, Hollyview International Limited, Excellent Success Asia Limited, Mass Talent Financial Limited and Mr. Sang Kangqiao (collectively the “**Joint Offerors**”) became interested in an aggregate of 560,000,000 Shares, representing approximately 69.4% of the entire issued share capital of the Company. Accordingly, Changjiang Corporate Finance (HK) Limited, on behalf of the Joint Offerors, made an unconditional mandatory cash offer (the “**Offers**”) for all the issued Shares not already owned and/or agreed to be acquired by the Joint Offerors and/or parties acting in concert with it. The composite document on the Offers was despatched to the Shareholders on 16 March 2015.

Details of above were disclosed in the Company’s announcement dated 24 December 2014 and composite document dated 16 March 2015.

PROSPECT

Looking ahead to 2015, the overall air cargo business environment will remain challenging. Over-capacity will continue to be a major issue.

In view of the rising operating costs, the Group will implement further cost control measures such as consolidating our offices and reducing headcounts, reducing marketing, promotional and all non-revenue direct driven expenditures activities.

Notwithstanding the difficult market environment in the air cargo industry on wholesaling and reselling, over-capacity in air cargo and the rising costs in labor, offices and other operating costs associated with added business volume, the management will maintain our commitment to grow our core business and concurrently explore new revenue streams with optimized operating costs, to bloom the profitability of the Group.

FINANCIAL HIGHLIGHTS

Revenue

The Group’s revenue amounted to approximately HK\$907.5 million for the year ended 31 December 2014, representing an increase of approximately 12.5% when compared with last year. This was due to an increase in air cargo handled by the Group, rising from 53,058 tons for the year ended 31 December 2013 to 69,184 tons for this year.

Gross Profit

Overall gross profit of the Group decreased by approximately 23.8% from approximately HK\$214.7 million for the year ended 31 December 2013 to approximately HK\$163.7 million for this year, and overall gross profit margin decreased from approximately 26.6% to approximately 18.0% respectively. The contractions were due to excess capacity available on the market.

Administrative Expenses

For the year ended 31 December 2014, the Group's administrative expenses amounted to approximately HK\$137.9 million (2013: approximately HK\$102.8 million), representing an increase of approximately 34.1% when compared with last year, which accounted for approximately 15.2% of the Group's turnover (2013: approximately 12.7%). The increase in administrative expenses was mainly due to the increase in number of employees, more sales and promotion activities and expansion of Group's network.

Contingent Liabilities and Guarantees

The Group had an un-utilised bank facility of approximately HK\$115.9 million as at 31 December 2014 and the facility was secured by the pledged deposits of approximately HK\$7.0 million of our Group and life insurance policies covering the three executive Directors of the Company. Certain airlines and integrated carriers would require their air cargo wholesalers to deliver bank guarantees before their appointment. The aggregate guarantee amount provided was approximately HK\$80.1 million as at 31 December 2014 (2013: approximately HK\$70.5 million). Saved as disclosed above, we had no material contingent liabilities and guarantees.

Contractual and Capital Commitments

As at 31 December 2014, the Group had operating lease commitments of approximately HK\$13.7 million (2013: approximately HK\$19.6 million).

Foreign Currency Risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and United States dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. During the year 2014, the Group had not hedged its foreign exchange risk because the exposure, after netting off the assets and liabilities subject to foreign exchange risk, is not very significant. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Human Resources

As at 31 December 2014, the Group had 258 full-time employees (2013: 231). The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred for the year ended 31 December 2014 were approximately HK\$84.9 million (2013: approximately HK\$60.7 million).

AUDIT OPINION

The auditor of the Group will issue an opinion with emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACT OF THE AUDITOR'S REPORT**" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

We draw attention to Note 2.1 (a) to the consolidated financial statements which states that the Group breached the covenant requirement of certain banking facilities as at 31 December 2014, and the Group is yet to obtain the waivers of compliance with the covenant from the relevant banks. This condition, along with other matters as set forth in Note 2.1 (a) to the consolidated financial statements, indicates the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Subsequent event

On 23 March 2015, ASR Victory, a shareholder of the Group, together with the Guarantors, entered into a deed of funding undertakings to provide sufficient funding to the Group in the event that its existing banking facilities are voided, cancelled, terminated, reduced or not renewed. The funding notice shall be issued by the Company to ASR Victory and the Guarantors within 12 months of the date of the deed. The total amount of funding undertaking shall not exceed HK\$120 million.

The funding when provided shall be treated as an advance to Company and be repayable by the Company at a suitable time to be agreed among the Company, ASR Victory and the Guarantors, but in any event shall be fully repaid on or before 24 months from the date of the deed.

CODE ON CORPORATE GOVERNANCE PRACTICES

Good corporate governance is conducive to enhancing the Group's overall performance and accountability is essential in modern corporate administration. The Board, which includes three independent non-executive Directors out of a total of six Directors, is responsible for setting strategic, management and financial objectives and continuously observes the principles of good corporate governance and devotes considerable effort to identifying and formalising best practice to ensure the interests of Shareholders, including those of minority Shareholders, are protected.

ASR Logistics Holdings Limited is incorporated in the Cayman Islands and has its shares listing on the Hong Kong Stock Exchange on 16 January 2012. The corporate governance rules applicable to the Company is on Corporate Governance Code as set out in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code from the Listing Date until 31 March 2012 and with the revised Corporate Governance Code from 1 April 2012 until 31 December 2014 respectively, except for the deviation from code provisions A.6.7 of the Corporate Governance Code as described below.

Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Director, Dr. Zhang Xianlin was engaged in other meeting and did not attend the annual general meeting of the Company held on 20 May 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules regarding securities transactions by directors and senior management. After specific enquiry, all Directors of the Company confirmed that they have complied with the required standard of dealings set out in the Model Code since the listing of the Shares on 16 January 2012.

AUDIT COMMITTEE

The Company has established the audit committee in accordance with the requirements of the Corporate Governance Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control. The audit committee comprises three independent non-executive Directors. During the year ended 31 December 2014, the audit committee has held two meetings to discuss the auditing, internal controls and financial reporting matters of the Company.

The audit committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2014.

DIVIDENDS

An interim dividend of HK0.7 cents (2013: HK2.8 cents) per share in respect of the period ended 30 June 2014 was paid on 23 October 2014.

A special dividend of HK15 cents (2013: HK15 cents) per share was declared on 19 December 2014 and was paid on 2 February 2015.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 May 2015 to 2 June 2015 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28 May 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares for the year ended 31 December 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on 2 June 2015. Notice of the annual general meeting will be issued and disseminated to Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.asr.com.hk). The annual report for the year ended 31 December 2014 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and available on the same websites in due course.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	ASR Logistics Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Corporate Governance Code”	Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$ and HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Main Board”	the stock market operated by the Hong Kong Stock Exchange, which excludes the Growth Enterprise Market and the options market
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“MOP”	Macau Patacas, the lawful currency of Macau
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

By order of the Board
ASR Logistics Holdings Limited
Yu Ho Yuen, Sunny
Chairman

Hong Kong, 25 March 2015

As at the date of this announcement, the executive Directors are Mr. Yu Ho Yuen, Sunny, Mr. Mak Chi Hung, Richard and Mr. Law Kai Lo, Niki, and the independent non-executive Directors are Mr. Wei Jin Cai, Dr. Zhang Xianlin and Dr. Tyen Kan Hee, Anthony.