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## **Asia-express Logistics Holdings Limited**

**亞洲速運物流控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8620)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

This announcement, for which the directors (collectively the “**Directors**” or individually a “**Director**”) of Asia-express Logistics Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM 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 announcement 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 announcement misleading.

Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated 31 March 2020 (the “**Prospectus**”).

## HIGHLIGHTS

- Company was successfully listed on GEM of the Stock Exchange on 20 April 2020.
- Our overall revenue decreased by approximately HK\$31.7 million or 9.0% from approximately HK\$351.1 million for the year ended 31 March 2019 to approximately HK\$319.4 million for the year ended 31 March 2020.
- For the year ended 31 March 2020, our Group recorded a loss of approximately HK\$2.4 million (for the year ended 31 March 2019: approximately HK\$0.1 million). If the non-recurring listing expenses incurred for both years were excluded, the adjusted profit was decreased from approximately HK\$10.6 million for the year ended 31 March 2019 to approximately HK\$6.1 million for the year ended 31 March 2020.
- No final dividend for the year ended 31 March 2020 was proposed by the Board.

## ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Group for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019. All amounts set out in this announcement are expressed in HK\$ unless otherwise indicated.

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2020*

		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>319,370</b>	351,137
Other income	4	<b>5,612</b>	4,227
Other gains and losses	4	<b>(4,360)</b>	(3,832)
Employee benefits expenses		<b>(49,648)</b>	(50,145)
Dispatch labour costs		<b>(87,583)</b>	(90,665)
Transportation costs		<b>(150,574)</b>	(175,110)
Depreciation of property, plant and equipment		<b>(4,034)</b>	(6,403)
Depreciation of right-of-use assets		<b>(9,713)</b>	—
Operating lease rentals in respect of rented premises/ short-term lease payments		<b>(69)</b>	(6,819)
Other expenses		<b>(9,679)</b>	(8,432)
Listing expenses		<b>(8,437)</b>	(10,768)
Finance costs	5	<b>(2,451)</b>	(928)
Share of results of an associate		<b>(9)</b>	25
		<hr/>	<hr/>
(Loss) profit before tax		<b>(1,575)</b>	2,287
Income tax expense	6	<b>(810)</b>	(2,436)
		<hr/>	<hr/>
Loss for the year	7	<b>(2,385)</b>	(149)
Other comprehensive expense that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(2,127)</b>	(1,707)
Share of other comprehensive expenses of associates, net of related income tax		<b>(41)</b>	(45)
		<hr/>	<hr/>
Other comprehensive expense for the year		<b>(2,168)</b>	(1,752)
		<hr/>	<hr/>
Total comprehensive expense for the year		<b>(4,553)</b>	(1,901)
		<hr/>	<hr/>
Loss for the year attributable to owners of the Company		<b>(2,385)</b>	(149)
		<hr/>	<hr/>
Total comprehensive expense for the year attributable to owners of the Company		<b>(4,553)</b>	(1,901)
		<hr/>	<hr/>
Loss per share (HK cents)			
Basic	9	<b>(0.65)</b>	(0.04)
		<hr/>	<hr/>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 March 2020*

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>24,704</b>	44,961
Interest in an associate		<b>631</b>	681
Right-of-use assets		<b>36,935</b>	—
Deposits paid for acquisition of property, plant and equipment		<b>400</b>	1,779
Rental deposits		<b>829</b>	1,068
		<b>63,499</b>	48,489
<b>CURRENT ASSETS</b>			
Trade and other receivables	<i>10</i>	<b>62,005</b>	59,204
Rental deposits		<b>215</b>	—
Pledged bank deposits		<b>15,017</b>	11,000
Bank balances and cash		<b>15,410</b>	18,527
		<b>92,647</b>	88,731
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>51,559</b>	49,399
Bank borrowings	<i>12</i>	<b>30,000</b>	22,000
Obligations under finance leases — due within one year		—	6,021
Lease liabilities		<b>11,748</b>	—
Tax payable		<b>1,656</b>	621
		<b>94,963</b>	78,041
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<b>(2,316)</b>	10,690
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>61,183</b>	59,179

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Obligations under finance leases — due after one year	—	4,230
Lease liabilities	<b>14,553</b>	—
Deferred tax liabilities	<u><b>5,054</b></u>	<u>5,330</u>
	<u><b>19,607</b></u>	<u>9,560</u>
<b>NET ASSETS</b>	<u><u><b>41,576</b></u></u>	<u><u>49,619</u></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	—*	—*
Reserves	<u><b>41,576</b></u>	<u>49,619</u>
<b>TOTAL EQUITY</b>	<u><u><b>41,576</b></u></u>	<u><u>49,619</u></u>

\* *Less than HK\$1,000*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2020*

### 1. GENERAL INFORMATION, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2018 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares (the “**Shares**”) have been listed on GEM of The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) on 20 April 2020 (the “**Listing**”). The addresses of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business in Hong Kong is Unit 1613–1615, Level 16, Tower 1 Metroplaza, 223 Hing Fong Road, Kwai Fong, Hong Kong.

The ultimate holding company and immediate holding company of the Company is 3C Holding Limited (“**3C Holding**”), a company incorporated in the British Virgin Islands, and ultimately controlled by Mr. Chan Le Bon (“**Mr. LB Chan**”) and Mr. Chan Yu.

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of air cargo terminal operation services, transportation services and warehousing and value-added services in Hong Kong and the PRC.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

#### **Group reorganisation and basis of preparation and presentation of consolidated financial statements**

Prior to the group reorganisation (the “**Reorganisation**”), Kwai Bon Transportation Limited (“**Kwai Bon (HK)**”) was directly held by Mr. LB Chan and Mr. Chan Yu as to 95% and 5% equity interests, respectively. To rationalise the structure of the Group in preparation for the Listing, the companies comprising the Group underwent a series of reorganisation which involved the followings steps:

- i. On 25 April 2017, 3C Holding was incorporated with an authorised share capital of United States dollars (“**US\$**”) 50,000 divided into 50,000 shares of US\$1 each. 95 shares and 5 shares were issued to and fully paid for cash at par value by Mr. LB Chan and Mr. Chan Yu, respectively.
- ii. On 2 January 2018, the Company was incorporated as mentioned above. 1 Share was transferred and 99 Shares were further allotted and issued, all at par value, to 3C Holding.
- iii. On 4 January 2018, Asia-express Logistics Group (BVI) Limited (“**Asia-express (BVI)**”) was incorporated in the BVI with limited liability. Asia-express (BVI) is authorised to issue up to a maximum of 50,000 ordinary shares without par value. Upon incorporation, the Company subscribed for one fully paid share of Asia-express (BVI) for the issue price of US\$1.00 per share. As a result, Asia-express (BVI) becomes a wholly owned subsidiary of the Company.

- iv. On 13 February 2018, Mr. LB Chan and Mr. Chan Yu as vendors and the Company as purchaser entered into a share swap deed, pursuant to which Mr. LB Chan and Mr. Chan Yu transferred his 9,500 shares and his 500 shares respectively (in total being 10,000 shares) in Kwai Bon (HK) to Asia-express (BVI) (as the Company's nominee), representing 95% and 5% of the issued share capital respectively (in total being 100% of the issued share capital) in Kwai Bon (HK), in consideration of and exchange for which the Company allotted and issued a total of 100 Shares, credited as fully paid, with 95 such Shares to 3C Holding (at the direction of Mr. LB Chan) and 5 such Shares to 3C Holding (at the direction of Mr. Chan Yu), respectively.
- v. On 23 March 2018, Diligent City Limited ("**Diligent City**"), a company incorporated in the BVI with limited liability and an independent third party, as the subscriber entered into a subscription agreement with, among others, the Company, pursuant to which Diligent City agreed to subscribe for and the Company agreed to allot and issue 30 new Shares, representing approximately 13% of the enlarged issued share capital of the Company at the subscription price of HK\$7,000,000.
- vi. On 28 June 2019, Diligent City repurchased 14,000 (representing 28% of the total issued share capital of Diligent City) and 6,000 (representing 12% of the total issued share capital of Diligent City) of its own shares held by Maia Global Investments Limited ("**Maia Global**") and Solution Lion Holdings Limited ("**Solution Lion**"), respectively. In consideration of such repurchase, Diligent City agreed to transfer 8 Shares and 4 Shares of the Company to Maia Global and Solution Lion, respectively.
- vii. On 4 September 2019 and 18 September 2019, the Company completed the repurchase of the 4 Shares and 8 Shares from Solution Lion and Maia Global at considerations of HK\$1,039,000 and HK\$2,079,000, respectively.

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising the Group on 13 February 2018. The Group resulting from the Reorganisation, which involves interspersing the Company and other holding companies on top of the existing group headed by Kwai Bon (HK), is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the Group.

The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of approximately HK\$2.3 million as at 31 March 2020, and the Group has technically breached a loan covenant from the bank borrowings with an aggregate amount of approximately HK\$30 million (note 12), which were presented as current liabilities in the consolidated statement of financial position at 31 March 2020. However, in the opinion of the directors of the Company, the liquidity of the Group can be maintained in the coming year as the directors of the Company had taken into consideration of the following facts and circumstances:

On 20 April 2020, the shares of the Company were listed on GEM of the Stock Exchange. The amount of net proceeds from the share offer to be received by the Company, after deduction of the underwriting commissions and other estimated offering expenses payable by the Company, is estimated by the management to be approximately HK\$17.8 million.

Accordingly, the directors of the Company considered that the Group has sufficient financial resources to meet its financial obligations as and when they fall due in the next twelve months from the end of the reporting period. The consolidated financial statements have been prepared on a going concern basis.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### **HKFRS 16 Leases**

The Group has applied HKFRS 16 “Leases” (“**HKFRS 16**”) for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

#### ***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

#### ***As a lessee***

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.



When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17:

- i. The Group elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.
- ii. The Group used hindsight based on facts and circumstances as at date of initial application in determining the lease term with regards to the Group's leases with termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.40% per annum.

As at 1 April 2019, a number of the Group's property leases included termination options. As at 1 April 2019 and at the commencement dates of the leases, as appropriate, the Group assessed and concluded that it is reasonably certain not to exercise the termination options.

With regards to leases of motor vehicles, as at 1 April 2019 and at the commencement date of the leases, as appropriate, the Group has the option to purchase the motor vehicle for a nominal amount at the end of the relevant lease terms. The Group assessed and concluded that it is reasonably certain to exercise the purchase options. As the purchase options are considered to be exercised at the end of the lease terms, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the motor vehicles, which is estimated to be ten years based on the experience of the Group with similar assets.

The following is the reconciliation of operating lease commitments as at 31 March 2019 to the lease liabilities as at 1 April 2019:

	<i>Note</i>	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019		16,386
Discounting effect using the incremental borrowing rates as 1 April 2019		<u>(963)</u>
Lease liabilities discounted at relevant incremental borrowing rates		15,423
Less: Recognition exemption for short-term leases		<u>(73)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		15,350
Add: Obligations under finance leases recognised at 31 March 2019	(a)	<u>10,251</u>
Lease liabilities as at 1 April 2019		<u><u>25,601</u></u>
Analysed as		
Current		11,574
Non-current		<u>14,027</u>
		<u><u>25,601</u></u>

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<i>Notes</i>	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(b)	15,094
Amounts included in property, plant and equipment under HKAS 17		
— Assets previously under finance leases	(a)	<u>24,109</u>
		<u>39,203</u>
By class of underlying assets:		
Motor vehicles		24,109
Office premises		1,875
Warehouses		<u>13,219</u>
		<u>39,203</u>

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 April 2019.

	<i>Note</i>	<b>Impact of adopting HKFRS 16 at 1 April 2019</b> <i>HK\$'000</i>
<b>Retained profits</b>		
Decrease upon application of HKFRS 16	(b)	<u>372</u>

*Notes:*

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$24,109,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$6,021,000 and HK\$4,230,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019 in accordance with HKFRS 16.C11.
- (b) As at 1 April 2019, the Group measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since the commencement dates of the leases by applying HKFRS 16.C8(b)(i) transition. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. As at 1 April 2019, the right-of-use assets measured under the application of HKFRS 16.C8(b)(i) transition amounted to HK\$15,094,000.

Before the application of HKFRS 16, the Group classified refundable rental deposits paid as other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$116,000 was adjusted to refundable rental deposits paid and right-of-use assets.

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 16	COVID 19-Related Rent Concessions <sup>5</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact to the consolidated financial statements in the foreseeable future.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for services provided in the normal course of business.

An analysis of the Group's revenue during the years ended 31 March 2020 and 2019 is as follows:

	2020 HK\$'000	2019 HK\$'000
Air cargo terminal operation services		
— Ground handling	102,426	108,713
— Ancillary delivery	68,489	79,968
Transportation services	112,166	135,132
Warehousing and other value-added services	36,289	27,324
	<u>319,370</u>	<u>351,137</u>

During both years, the Group derives its revenue from the provision of the air cargo terminal operation services, transportation services and warehousing and other value-added services to its customers and the revenue is recognised as a performance obligation satisfied over time as the customers receive and consume the benefits of the Group's performance as it occurs.

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is nil as at the end of both reporting periods during the years ended 31 March 2020 and 2019.

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "CODM"), being the management of the Group, for the purposes of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on its services and its sole operating segment is the provision of air-cargo terminal operation services, transportation services and warehousing and other value-added services. The CODM monitors the revenue, consolidated results, assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies which conform with HKFRSs and consistent with those used in the preparation of this announcement, and without further discrete information. Accordingly, no analysis of segment information other than entity-wide information is presented.

### Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operation. For revenue from cross-border transportation services, it is presented based on the location where the contract is negotiated and effected.

#### For the years ended 31 March 2020 and 2019

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	290,229	309,424
The PRC	<u>29,141</u>	<u>41,713</u>
	<u><b>319,370</b></u>	<u><b>351,137</b></u>

Information about the Group's non-current assets (excluding rental deposits) is presented based on the geographical location of the assets:

#### As at 31 March 2020 and 2019

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	58,596	43,478
The PRC	<u>4,074</u>	<u>3,943</u>
	<u><b>62,670</b></u>	<u><b>47,421</b></u>

Revenue from customers of corresponding years contributing over 10% of the Group's revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	<u><b>194,917</b></u>	<u><b>217,621</b></u>

#### 4. OTHER INCOME/OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income:		
Government subsidies received upon disposal of qualified commercial motor vehicles ( <i>Note</i> )	5,300	4,101
Bank interest income	207	121
Others	<u>105</u>	<u>5</u>
	<u><b>5,612</b></u>	<u><b>4,227</b></u>
Other gains and losses:		
Loss on disposal of property, plant and equipment	(4,247)	(3,862)
Loss on disposal of right-of-use assets	(107)	—
(Provision of) reversal of impairment loss on trade receivables under HKFRS 9, net	(189)	249
Exchange gain (loss)	<u>183</u>	<u>(219)</u>
	<u><b>(4,360)</b></u>	<u><b>(3,832)</b></u>

*Note:* The amount represents the government subsidies for early retirement of certain commercial motor vehicles of the Group which do not comply with latest environmental regulatory requirement, with no unfulfilled conditions attached before recognition. No future related cost is expected to be incurred.

#### 5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	1,334	547
Interest on lease liabilities	1,117	—
Interest on bank overdrafts	—	8
Interest on finance leases	<u>—</u>	<u>373</u>
	<u><b>2,451</b></u>	<u><b>928</b></u>

## 6. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The tax charge comprises:		
Hong Kong Profits Tax		
Current year	1,013	20
Underprovision in prior years	63	—
PRC EIT		
Current year	4	10
Underprovision in prior years	6	—
	1,086	30
Deferred tax	(276)	2,406
	<u>810</u>	<u>2,436</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2020 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

PRC EIT is calculated at 25% of the estimated assessable profits for both years. Pursuant to the relevant laws and regulations in the PRC, one of the Company’s PRC subsidiaries is entitled to 10% PRC EIT for both years as the subsidiary is qualified as small entities for a reduced tax rate.

## 7. LOSS FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	517	369
Directors' remuneration	1,228	1,182
Other staff costs:		
Salaries, discretionary bonuses and other benefits	45,065	46,591
Retirement benefits scheme contributions	<u>3,355</u>	<u>2,372</u>
	49,648	50,145
Loss on disposal of a joint venture ( <i>Note a</i> )	—	172
Warehousing operating costs ( <i>Note b</i> )	<u>5,908</u>	<u>5,148</u>

*Notes:*

(a) Loss on disposal of a joint venture is included in other expenses.

桂邦運輸(蘇州)有限公司 (Kwai Bon Transportation (Suzhou) Company Limited\*), a company incorporated in the PRC with limited liability on 3 May 2012 and an indirect joint venture company of the Company which was owned as to 50% by the Group up to 11 January 2019. Pursuant to the equity transfer agreement signed between a wholly-owned subsidiary of the Group and a third party who is not connected with the Group on 11 January 2019, that party agreed to purchase the 50% equity interest in 桂邦運輸(蘇州)有限公司 from the Group at a cash consideration of RMB2,151,000 (equivalent to HK\$2,517,000). Upon completion of the transaction, 桂邦運輸(蘇州)有限公司 ceased to be a joint venture of the Group. Out of the consideration, an amount of RMB1,000,000 (equivalent to HK\$1,170,000) was received by the Group during the year ended 31 March 2019 and the remaining balance of RMB1,151,000 (equivalent to HK\$1,347,000) was fully settled on 10 June 2019.

(b) The warehousing operating costs are included in other expenses.

\* *For identification purpose only*

## 8. DIVIDENDS

In March 2019, the Company declared and paid a final dividend with respect to the year ended 31 March 2018 of HK\$9,000,000 to its shareholders. The rate of dividends and the number of shares ranking for dividends are not represented as such information is not meaningful having regard to the purpose of this announcement.

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of each reporting period.

## 9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2020 HK\$'000	2019 HK\$'000
<b>Loss:</b>		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(2,385)</u>	<u>(149)</u>
	2020	2019
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>368,921,956</u>	<u>379,816,514</u>

The number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2020 and 2019 are based on the assumption that the shares issued pursuant to the Reorganisation set out in note 1 and the capitalisation issue that took place on 17 April 2020, which is the issue of 359,999,782 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company, had been effective on 1 April 2018.

No diluted loss per share for the both years was presented as there were no potential ordinary shares in issue.

## 10. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	50,241	49,687
Allowance for expected credit losses ("ECL")	<u>(913)</u>	<u>(731)</u>
	49,328	48,956
Rental and other deposits	1,444	2,909
Other receivables and prepayments ( <i>note</i> )	6,637	5,899
Deferred share issue costs	6,031	4,223
Prepayments for listing expenses	<u>9</u>	<u>64</u>
Total trade and other receivables	63,449	62,051
Less: non-current rental deposits	(829)	(1,068)
Less: current rental deposits	(215)	—
Less: non-current deposits paid for acquisition of property, plant and equipment	<u>(400)</u>	<u>(1,779)</u>
	<u>62,005</u>	<u>59,204</u>

*Note:* Other receivables and prepayments included prepayments to suppliers amounted to HK\$2,865,000 (2019: HK\$1,289,000).



The Group generally allows a credit period ranging from 30 days to 60 days to its customers. For certain customers, the Group requests advance payments before its rendering of express delivery services and no credit period is granted by the Group.

The following is an aging analysis of trade receivables, net of allowance for ECL, presented based on the invoice dates, which approximate the revenue recognition dates:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	31,777	35,771
31 to 60 days	10,752	9,527
61 to 90 days	4,198	3,552
More than 90 days	<u>2,601</u>	<u>106</u>
	<u><b>49,328</b></u>	<u><b>48,956</b></u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of default on repayments.

The Group determines the ECL for individually significant trade debtors and collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers as at 31 March 2019 and 2020 and taking into account the financial condition of the customers and historical settlement pattern with no history of default in the past, and the forward-looking information.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of each reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Overdue by:		
Within 30 days	6,100	5,791
31 to 60 days	2,422	987
61 to 90 days	<u>516</u>	<u>106</u>
Total	<u><b>9,038</b></u>	<u><b>6,884</b></u>

#### **Impairment assessment on trade receivables subject to ECL model**

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The impairment allowance on trade receivables which are assessed individually for debtors with significant balances under ECL model was HK\$249,000 as at 31 March 2020 (2019: HK\$298,000) which was determined based on an aggregate gross carrying amount of HK\$29,240,000 (2019: HK\$25,723,000) at average loss rates ranging from 0.51% to 0.98% (2019: 0.29% to 2.47%). The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers.

**As at 31 March 2020**

<b>Internal credit rating</b>	<b>Weighted average loss rate %</b>	<b>Gross carrying amount HK\$</b>	<b>Cumulative impairment loss allowance HK\$</b>
Low risk	1.81	16,564,000	301,000
Medium risk	2.30	1,107,000	25,000
High risk	10.16	3,330,000	338,000

**As at 31 March 2019**

<b>Internal credit rating</b>	<b>Weighted average loss rate %</b>	<b>Gross carrying amount HK\$</b>	<b>Cumulative impairment loss allowance HK\$</b>
Low risk	1.38	20,695,000	286,000
Medium risk	3.09	1,913,000	59,000
High risk	6.51	1,356,000	88,000

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. As at 1 April 2018, and 31 March 2019 and 31 March 2020, there were no credit-impaired trade receivables.

The movements in the allowance for impairment in respect of trade receivables during the year ended 31 March 2019 and 2020 are as follows:

	<i>HK\$'000</i>
Balance at 1 April 2018	980
Impairment losses reversed	(980)
Impairment losses recognised	<u>731</u>
Balance at 31 March 2019	<u>731</u>
Impairment losses reversed	(731)
Impairment losses recognised	<u>913</u>
Balance at 31 March 2020	<u><u>913</u></u>

## 11. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	28,977	28,547
Accruals	6,591	9,419
Refundable deposits received from customers	389	2,334
Other payables	286	563
Other taxes payables	4	137
Accrued share issue costs	3,594	2,100
Accrued listing expenses	<u>11,718</u>	<u>6,299</u>
Total trade and other payables	<u><u>51,559</u></u>	<u><u>49,399</u></u>

The general credit period on trade payables is 15 to 60 days. Certain suppliers request upfront payment before delivery of services and no credit period has been granted to the Group.

The following is an aging analysis of trade payables, presented based on the invoice date, at the end of each reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	13,913	16,587
31–60 days	9,369	8,097
61–90 days	510	3,468
Over 90 days	<u>5,185</u>	<u>395</u>
	<u><u>28,977</u></u>	<u><u>28,547</u></u>

## 12. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Secured bank loans	<u>30,000</u>	<u>22,000</u>
Carrying amounts that contain a repayable on demand clause and shown under current liabilities and total bank borrowings	<u>30,000</u>	<u>22,000</u>

The bank loans as at 31 March 2020 carry variable interest rate at 2.75% (2019: 2.75%) above Hong Kong Interbank Offered Rate (“**HIBOR**”). The effective interest rate of the Group was 4.74% per annum (2019: 4.40% per annum) as at 31 March 2020, respectively. The bank loans as at 31 March 2019 were secured by the pledged bank deposits and personal guarantee provided by Mr. LB Chan and Mr. Chan Yu. The bank loans as at 31 March 2020 were secured by the pledged bank deposits, personal guarantee provided by Mr. LB Chan and Mr. Chan Yu and corporate guarantee provided by the Company. The personal guarantee from Mr. LB Chan and Mr. Chan Yu provided for the banking facility has been released on 5 June 2020.

As at 31 March 2020, there was a technical breach of a loan covenant in the banking facility letter that primarily related to a prescribed amount of the consolidated net tangible assets requirement in the Group. The bank borrowings of HK\$30,000,000 are guaranteed by the Company and secured by pledged bank deposit amounted to HK\$15,017,000 and the entire bank borrowings have been classified as current liabilities at the end of the reporting period. As at the date of issuance of this announcement, the lender has not made any demand for immediate repayment of the borrowings under the loan facility letter. The management of the Group has commenced negotiations with the bank for a waiver of the technical breach of the loan covenant, and yet obtained such waiver as at the date of issuance of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year, we have paid more attention to the rising demand of ancillary logistics services of e-commerce services, especially inbound traffic and outbound traffic among Hong Kong, China and worldwide. We also believe that the additional costs incurred for setting up the Air Freight CFS Warehouse and upgrading our transportation fleet will lead to rapid growth of the Group's warehouse capacity and the quality of our transportation services in the coming few years, which will benefit the Group in the long run.

### FINANCIAL REVIEW

Our Group's revenue was principally generated from (i) air cargo terminal operation services; (ii) transportation services; and (iii) warehousing and other value-added services. We provide our services to (i) express carriers; (ii) air cargo terminal operators; (iii) freight forwarders; and (iv) direct customers comprising corporates and individual customers. Our revenue is measured at the fair value of the consideration or receivable and represents amounts receivable for services provided in the normal course of business.

The table below sets forth the breakdown of our revenue by services segments for the years indicated:

	For the year ended 31 March			
	2020		2019	
	HK\$'000	(%)	HK\$'000	(%)
Air cargo terminal operation services				
— Ground handling	102,426	32.1	108,713	31.0
— Ancillary delivery	<u>68,489</u>	<u>21.4</u>	<u>79,968</u>	<u>22.8</u>
	170,915	53.5	188,681	53.8
Transportation services	112,166	35.1	135,132	38.5
Warehousing and other value-added services	<u>36,289</u>	<u>11.4</u>	<u>27,324</u>	<u>7.7</u>
Total	<u>319,370</u>	<u>100.0</u>	<u>351,137</u>	<u>100.0</u>

Our overall revenue decreased by approximately HK\$31.7 million or 9.0% from approximately HK\$351.1 million for the year ended 31 March 2019 to approximately HK\$319.4 million for the year ended 31 March 2020 due to the combination of the following factors:

- (i) a decrease in revenue generated from air cargo terminal operation services by approximately HK\$17.8 million or 9.4% to approximately HK\$170.9 million for the year ended 31 March 2020 as compared to that of approximately HK\$188.7 million for the year ended 31 March 2019. Such decrease was mainly derived from the decrease in the cargo volume for Top Global Express Carrier whereby our Group is its sole transportation service provider; and
- (ii) a decrease in the revenue generated from transportation services by approximately HK\$22.9 million or 17.0% to approximately HK\$112.2 million for the year ended 31 March 2020 as compared to that of approximately HK\$135.1 million for the year ended 31 March 2019. Such decrease was mainly contributed by the decrease in revenue from German-based Express Carrier as we decided not to renew the service agreement with it upon its expiry in February 2019 having considered the relatively less profitability for such orders.

### **Other income**

Other income increased by approximately HK\$1.4 million or 33.3% to approximately HK\$5.6 million for the year ended 31 March 2020 as compared to that of approximately HK\$4.2 million for the year ended 31 March 2019, which was mainly due to the increase in government subsidies on the replacement of Euro III diesel commercial vehicles (“**Euro III DCVs**”) of approximately HK\$1.2 million.

### **Other gains and losses**

Other gains and losses mainly represent loss on disposal of property, plant and equipment. Our Group recorded a net loss in other gains and losses of approximately HK\$3.8 million and HK\$4.4 million for the years ended 31 March 2019 and 2020, respectively.

### **Employee benefits expenses**

Employee benefits expenses consist primarily of wages and salaries, retirement benefits scheme contributions, and other allowances and benefits. The employee benefits expenses decreased by approximately HK\$0.5 million or 1.0% from approximately HK\$50.1 million for the year ended 31 March 2019 to approximately HK\$49.6 million for the year ended 31 March 2020 mainly due to the decrease in headcount from 238 full-time employees as at 31 March 2019 to 226 full-time employees as at 31 March 2020, mostly being drivers in the PRC.

### **Dispatch labour costs**

The dispatch labour costs represented the amount paid to our dispatched work agencies for the provision of our air cargo ground handling services. It was decreased by approximately HK\$3.1 million or 3.4% to approximately HK\$87.6 million for the year ended 31 March 2020 as compared to that of approximately HK\$90.7 million for the year ended 31 March 2019, which was mainly due to the decrease in air cargo ground handling services.

### **Depreciation of property, plant and equipment and right-of-use assets in respect of motor vehicles**

For the year ended 31 March 2020, the depreciation of property, plant and equipment and right-of-use assets in respect of motor vehicles amounted to approximately HK\$7.9 million, representing an increase of approximately HK\$1.5 million or 23.4% as compared to that of approximately HK\$6.4 million for the year ended 31 March 2019. Such increase was consistent with the increase in property, plant and equipment. Our property, plant and equipment are depreciated on a straight-line basis and our depreciation expenses mainly include the depreciation of our plant and equipment with rates ranging from 5% to 20% per annum.

### **Operating lease rentals in respect of rented premises and depreciation of right-of-use assets in respect of office premises and warehouses**

Our aggregate operating lease rentals in respect of rented premises and depreciation of right-of-use assets in respect of office premises and warehouse decreased by approximately HK\$0.9 million or 13.2% to approximately HK\$5.9 million for the year ended 31 March 2020, as compared to that of approximately HK\$6.8 million for the year ended 31 March 2019 which was primarily due to newly adoption of HKFRS 16.

### **Transportation costs**

Transportation costs decreased by approximately HK\$24.5 million or 14.0% to approximately HK\$150.6 million for the year ended 31 March 2020 as compared to that of approximately HK\$175.1 million for the year ended 31 March 2019. Such decrease was mainly due to the decrease in service fees paid to external transportation service providers which was in line with the decrease in revenue of our transportation services business.

### **Other expenses**

Our other expenses increased by approximately HK\$1.3 million or 15.5% to approximately HK\$9.7 million for the year ended 31 March 2020 as compared to that of approximately HK\$8.4 million for the year ended 31 March 2019, which was primarily due to the increase in warehouse operating costs driven by the increased business from warehousing and other value-added services segment.

## **Finance costs**

Our finance costs increased by approximately HK\$1.6 million or 177.8% to approximately HK\$2.5 million for the year ended 31 March 2020 as compared to that of approximately HK\$0.9 million for the year ended 31 March 2019, which was mainly due to (i) the increase in interests paid for our additional bank borrowings; and (ii) the increase in interests paid on lease liabilities due to the replacement of Euro III DCVs.

## **Income tax expenses**

The income tax expenses fell from approximately HK\$2.4 million for the year ended 31 March 2019 to approximately HK\$0.8 million for the year ended 31 March 2020 due to the decrease in profit before tax.

## **Loss for the year**

For the year ended 31 March 2020, our Group recorded a loss of approximately HK\$2.4 million (for the year ended 31 March 2019: approximately HK\$0.1 million). The loss for the year was mainly due to the combined effects as discussed above. If the non-recurring listing expenses incurred for both years were excluded, our Group recorded an adjusted net profit of approximately HK\$10.6 million and HK\$6.1 million for the years ended 31 March 2019 and 2020, respectively. Such decrease in the adjusted net profit was primarily due to (i) the decrease in our overall revenue; (ii) the increase in depreciation of right-of-use assets and finance costs; and (iii) additional costs incurred for setting up the Air Freight CFS Warehouse.

## **Trade receivables and trade payables turnover cycle**

The turnover days for trade receivables for the year ended 31 March 2020 were approximately 56 days (for the year ended 31 March 2019: approximately 49 days), such increase was mainly due to outbreak of COVID-19 led to the lockdown of some cities in the PRC and Singapore, where some of our major customers' back office are located.

The turnover days for trade payables for the year ended 31 March 2020 were approximately 44 days (for the year ended 31 March 2019: approximately 40 days), such increase was mainly due to the delay in some payment process due to the COVID-19 pandemic in the first quarter of 2020.



## **Borrowings**

As at 31 March 2020, the Group's bank borrowings balance amounted to approximately HK\$30.0 million with variable interest rate. The effective interest rate of the Group was approximately 4.7% for the year ended 31 March 2020 (for the year ended 31 March 2019: approximately 4.4%).

The Group's net gearing ratio is calculated by dividing total bank borrowings, obligations under finance lease and lease liabilities by total equity. As at 31 March 2020, the Group's gearing ratio was approximately 135.4% (as at 31 March 2019: approximately 65.0%). Such increase was due to the additional drawdown of bank borrowing and recognition of lease liabilities under HKFRS 16.

## **Pledge of assets**

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Deposits amounting to HK\$11.0 million and HK\$15.0 million as at 31 March 2019 and 2020, respectively, have been pledged to secure short-term bank loans and undrawn facilities.

## ***Employees and Remuneration Policies***

As at 31 March 2020, the Group employed 226, (as at 31 March 2019: 238) full time employees and the directors' emoluments were approximately HK\$1.2 million (as at 31 March 2019: approximately HK\$1.2 million) included in the employee benefit expenses. We determine the employee's remuneration based on factors such as their performance, qualification, position, duty, contributions, years of experience and local market conditions.

## ***Liquidity and Financial Resources***

The current ratio of the Group as at 31 March 2020 was approximately 1.0 times which remain stable as compared to that of approximately 1.1 times as at 31 March 2019. As at 31 March 2020, the Group had total bank balances and cash of approximately HK\$15.4 million (as at 31 March 2019: approximately HK\$18.5 million). With available bank balances, cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

## ***Commitment***

As at 31 March 2020, the Group incurred capital commitments of approximately HK\$7.6 million for acquiring our transportation fleet (as at 31 March 2019: approximately HK\$16.8 million for acquiring transportation fleet and the deposit for the X-ray screening system).

### ***Capital Structure***

As at 31 March 2020, the Company had 218 shares of the Company (the “**Shares**”) in issue. The Shares were listed on GEM of the Stock Exchange on the Listing Date. There has been no change in the Company’s capital structure since the Listing. The capital structure of the Group consists of equity attributable to the owners of the Company which comprises of issued share capital and reserves. From the Listing Date up to the date of this announcement (the “**Reporting Period**”), the Company had 480,000,000 Shares in issue. The Directors will review the Group’s capital structure regularly. As part of such review, the Directors will consider the cost of capital and the risks associated with each class of capital. The Group will adjust its overall capital structure through the payment of dividends, issuance of new shares as well as the repayment of borrowings.

### ***Segmental Information***

Segmental information is presented for the Group as disclosed in note 3 to the consolidated financial statements.

### ***Contingent Liabilities***

In August 2019, the Group was involved in a personal injury claim against the Group, a customer and a subcontractor of the Group. The injured person was an employee of the subcontractor and involved in an accident happened at the customer’s warehouse in March 2016 in the ordinary course of work.

On 6 March 2020, Kwai Bon (HK) and the sub-contractor of the Group entered into a deed of indemnity, pursuant to which the sub-contractor of the Group has agreed to fully indemnify Kwai Bon (HK) against all claims, loss, damages, costs, expenses and any liabilities suffered or incurred by Kwai Bon (HK) as a result of or in connection with the personal injury claim.

Having considered, among other things, the opinion from the external legal adviser representing the Group in such claim, the Directors consider that it is remote for claim and, therefore, no provision is made during the year ended 31 March 2020.

### ***Significant Investment Held, Material Acquisitions and Disposal***

The Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 March 2020.

### ***Dividend***

No final dividend for the year end 31 March 2020 was proposed by the Board (2019: Nil).

### *Use of Proceeds from the Listing*

The Shares were listed on GEM of the Stock Exchange on the Listing Date. Based on the offer price of HK\$0.5 per offer share, the net proceeds from the Share Offer received by the Company, after deducting the underwriting fees and commissions and estimated expenses in relation to the Share Offer borne by the Company, was approximately HK\$17.8 million. Since the Listing Date and up to the date of this announcement, the Company has not utilized any net proceeds raised from the Share Offer of the Company. Such net proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, which is summarised in the table below.

	<b>From the Listing Date to 30 September 2020 (HK\$'000)</b>	<b>For the six months ending 31 March 2021 (HK\$'000)</b>	<b>30 September 2021 (HK\$'000)</b>	<b>31 March 2022 (HK\$'000)</b>	<b>Total (HK\$'000)</b>	<b>% of the total net proceeds</b>
Expansion and upgrading of our transportation fleet	1,078	1,511	1,511	2,050	6,150	34.6
Expansion of our labour force	820	1,650	1,400	530	4,400	24.7
Acquisition of x-ray screening systems	—	1,250	1,250	1,250	3,750	21.0
Investment in and upgrading of our information technology systems	875	875	875	875	3,500	19.7
<b>Total</b>	<b>2,773</b>	<b>5,286</b>	<b>5,036</b>	<b>4,705</b>	<b>17,800</b>	<b>100.0</b>

As at the date of this announcement, the net proceeds had been placed at interest-bearing deposits with licensed bank in Hong Kong.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

Since the Listing Date up to the date of this announcement, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the “SFO”) (i) which were required 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules (the “Model Code”), were as follows:

### Interests in the Company

#### *Long positions in the ordinary Shares*

Name of Director/chief executive	Capacity/Nature of interest	Number of Shares held (Note i)	Approximate percentage of the Company's issued share capital
Mr. Chan Le Bon	Interest in a controlled corporation (Note ii)	330,120,000	68.8%
Mr. Choy Wing Hang, William (“Mr. William Choy”)	Interest in a controlled corporation (Note iii)	29,880,000	6.2%

Notes:

- (i) All interests in the Shares are in long position.
- (ii) The Shares are owned by 3C Holding Limited. The entire issued share capital of 3C Holding Limited is owned as to 95% by Mr. Chan Le Bon and as to 5% by Mr. Chan Yu, respectively. Mr. Chan Le Bon is deemed to be interested in such number of Shares held by 3C Holding Limited.
- (iii) Diligent City Limited owns approximately 6.2% of the entire issued share capital of the Company. Mr. William Choy is deemed to be interested in such number of Shares held by Diligent City as Mr. William Choy owns 100% of Diligent City Limited.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Since the Listing Date up to the date of this announcement, so far as the Directors are aware, the following persons (other than the Director and the chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

### Long positions in the ordinary Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held (Note i)	Approximate percentage of the Company's issued share capital
3C Holding Limited	Beneficial owner	330,120,000	68.8%
Diligent City Limited	Beneficial owner	29,880,000	6.2%
Ms. Leung Song	Interest of spouse (Note ii)	29,880,000	6.2%

Notes:

- (i) All interests in the Shares are in long position.
- (ii) Ms. Leung Song is the spouse of Mr. William Choy. Ms. Leung Song is deemed to be interested in the same number of Shares in which Mr. William Choy is deemed to be interested in under the SFO.

Save as disclosed above, as at the date of this announcement, the Company has not been notified of any other persons (other than the Director or the chief executive of the Company) or entities who had or deemed or taken to have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## SUFFICIENCY OF PUBLIC FLOAT

During the Reporting Period, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the prescribed minimum amount of public float as required under the GEM Listing Rules.

## SHARE OPTION SCHEME

The share option scheme of the Company (the “**Scheme**”) is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contribution of the Directors and other employees and other eligible parties who have made valuable contribution to the Group. The Scheme was adopted on 27 March 2020 (the “**Adoption Date**”). There was no share options granted or agreed to be granted under the Scheme from the Adoption Date up to the date of this announcement.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

### (a) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

### (b) The Participants of the Scheme

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options to subscribe for Shares:

- (i) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director and independent non-executive director) of the Company, its subsidiaries or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (ii) any non-executive director (including independent non-executive director) of the Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants.

**(c) Maximum number of Shares available for issuance**

- (i) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group shall not exceed 30% of the Shares in issue from time to time.
- (iii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 48,000,000 Shares) (the “**General Scheme Limit**”), provided that:
  - (a) Subject to paragraph (i) above and without prejudice to paragraph (b) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit, and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.
  - (b) Subject to paragraph (i) above and without prejudice to paragraph (a) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in paragraph (a) above to Eligible Participants specifically identified by the Company before such approval is sought.

**(d) Maximum number of options to any one individual**

The total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

**(e) Price of Shares**

The subscription price per Share under the Share Option Scheme shall be determined at the absolute discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the offer for the grant of option is made, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date on which the offer for the grant of option is made; and (iii) the nominal value of the Shares.

**(f) Time of exercise of option and duration of the share option scheme**

The Company shall not make any offer for grant of options during the period of six months commencing from the Listing Date.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of option is made but shall end in any event not later than 10 years from the date on which the offer for the grant of option is made subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date which is six months after the Listing Date.

**(g) Acceptance and payment on acceptance**

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

**COMPETING INTEREST**

For the year ended 31 March 2020, the Directors were not aware of any business or interest of the Directors, the controlling Shareholders, and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.



A deed of non-competition (the “**Deed of Non-competition**”) dated 23 March 2020 was executed in favour of the Company (for itself and as trustee for each of its subsidiaries) by 3C Holding Limited, Mr. Chan Le Bon and Mr. Chan Yu (collectively the “**Controlling Shareholders**”) regarding certain non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with Controlling Shareholders”.

## **COMPLIANCE ADVISER’S INTEREST**

The Company has appointed South China Capital Limited (“**South China**”) as the compliance adviser of the Company pursuant to the requirements of Rule 6A.19 of the GEM Listing Rules. The compliance adviser’s appointment is for a period commencing from the Listing Date and ending on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the despatch of its annual report of the financial results of the Company for the second full financial year commencing after the date of the Company’s initial listing (being the financial year ending 31 March 2023 or until the compliance adviser agreement is terminated, whichever is earlier).

As notified by South China, save for the compliance adviser agreement entered into between the Company and South China, neither South China nor any of their directors, employees or close associate (as defined under the GEM Listing Rules) had any interest in any securities of the Company or which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interests of the Shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner in accordance with the requirements of the GEM Listing Rules. The Board has established an audit committee (the “**Audit Committee**”), a nomination committee (the “**Nomination Committee**”) and a remuneration committee (the “**Remuneration Committee**”) with specific written terms of reference. During the Reporting Period, the Company has complied with all the code provisions of the CG Code.

The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. As the Company was not listed on GEM of the Stock Exchange as at 31 March 2020, relevant rules under the GEM Listing Rules concerning the Model Code that Directors shall observe did not apply to the Company for the year ended 31 March 2020.

The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Reporting Period.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested each of the employees of the Company or directors or employees of a subsidiary of the Company who, because of his office or employment in the Company or its subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in the securities of the Company when he would be prohibited from dealing by the Model Code as if he was a Director.

## **EVENTS AFTER THE REPORTING PERIOD**

### **The outbreak of COVID-19**

Since January 2020, the outbreak of COVID-19 has an impact on the global business environment. Up to the date of this announcement, COVID-19 has some degree of impact on the operation and financial position of the Group in the short term, we consider that such event would not resulted in a material impact to the sustainability of the Group. Pending on the development of COVID-19 subsequent to the date of this announcement, further changes in economic conditions may have an impact on the future financial results of the Group. We will closely monitor the situation of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

### **Other subsequent events**

Pursuant to the shareholders' written resolution dated 23 March 2020, the Company issued 359,999,782 additional shares, credited as fully paid, to the then Shareholders of the Company on the register of members at the close of business on 17 April 2020, by way of capitalisation of HK\$3,599,997.82 crediting to the Company's share premium account.

On 20 April 2020, the Shares of the Company were listed on GEM by way of Share Offer of 120,000,000 ordinary Shares with par value of HK\$0.01 each.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2020 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The audit committee of the Board (the “**Audit Committee**”) was established on 23 March 2020 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and Code Provision C.3 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The full terms of reference setting out details of duties of the Audit Committee is available on both the GEM website of the Stock Exchange and the Company's website. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Fu Lui, Mr. Chan Chi Ho and Ms. Chui Sin Heng.

Mr. Fu Lui is the chairman of the Audit Committee. The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, Moore Stephens CPA Limited, and has recommended the Board to re-appoint Moore Stephens CPA Limited as the Company's auditors for the financial year ending 31 March 2021, which is subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2020 and this annual results announcement.

## **ANNUAL GENERAL MEETING**

The forthcoming AGM will be held on Friday, 21 August 2020, the notice of which shall be sent to the Shareholders in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been compared by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor on this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the GEM website of the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) and on the Company's website at [www.asia-expresslogs.com](http://www.asia-expresslogs.com). The annual report of the Company for the year ended 31 March 2020 will be despatched to the Shareholders and will be available on the respective websites of the Stock Exchange and the Company in due course.

## CLOSURE OF REGISTER OF MEMBERS

In order to ascertain entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 18 August to Friday, 21 August 2020, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 17 August 2020.

By Order of the Board  
**Asia-express Logistics Holdings Limited**  
**Chan Yu**  
*Executive Director*

Hong Kong, 29 June 2020

*As at the date of this announcement, the executive Directors are Mr. Chan Le Bon and Mr. Chan Yu; the non-executive Director is Mr. Choy Wing Hang William; and the independent non-executive Directors are Mr. Fu Lui, Mr. Chan Chi Ho and Ms. Chui Sin Heng.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules, for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at [www.asia-expresslogs.com](http://www.asia-expresslogs.com).*