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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROVISIONAL LEASE AGREEMENT

THE PROVISIONAL LEASE AGREEMENT

The Board is pleased to announce that after the Stock Exchange trading hours on 30 October 2020, Kwai Bon (HK), an indirect wholly-owned subsidiary of the Company, entered into the Provisional Lease Agreement as tenant with ATL Logistics Centre, an Independent Third Party, as landlord in respect of the leasing of the Premises for a term of three years commencing from 10 November 2020 to 9 November 2023 (both days inclusive) for the operation of the Group's warehousing business.

IMPLICATIONS UNDER THE GEM LISTING RULES

According to HKFRS 16 which is effective from 1 January 2019, the Group, if entering into lease transaction as a lessee should recognize the Premises as the right-of-use assets in the consolidated financial statements of the Company. As such, the entering into the Provisional Lease Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group under the definition of transaction as set out in Rule 19.04(1)(a) of the GEM Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Provisional Lease Agreement exceeds 5% but less than 25%, the transaction contemplated under the Provisional Lease Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements but exempt from Shareholders' approval requirement under the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that after the Stock Exchange trading hours on 30 October 2020, Kwai Bon (HK), an indirect wholly-owned subsidiary of the Company, entered into the Provisional Lease Agreement as tenant with ATL Logistics Centre, an Independent Third Party, as landlord in respect of the leasing of the Premises for a term of three years commencing from 10 November 2020 to 9 November 2023 (both days inclusive) for the operation of the Group's warehousing business.

KEY TERMS OF THE PROVISIONAL LEASE AGREEMENT

Date:	30 October 2020
Parties:	(i) ATL Logistics Centre, an Independent Third Party, as the landlord (ii) Kwai Bon (HK), an indirect wholly-owned subsidiary of the Company, as the tenant
Premises:	Gridlines 4024W–4026W (Module W1) on 4/F, ATL Logistics Centre A
Term:	Three years commencing on 10 November 2020 and expiring on 9 November 2023 (both days inclusive)
Use of the Premises:	The tenant shall use the Premises for the operation of the Group's warehousing business.
Monthly rental:	The monthly base rent shall be HK\$273,853 per calendar month (exclusive of management fee, government rates, government rent, utility charges and other outgoings), payable in advance.
Rent free period:	Three months' rent free period during the term. During the rent free period, the management fee and other relevant expenses should be borne by the tenant.
Management fee:	The monthly management fee shall be HK\$32,218 (subject to review from time to time), payable in advance.
Government rates and rent:	The tenant shall pay government rates and rent charged on the Premises as assessed by the government of Hong Kong from time to time.

Total consideration payable:	The total consideration payable by the tenant under the Provisional Lease Agreement including the rental, management fee, government rates and government rent, is expected to be approximately HK\$10,903,000 during the Term.
Holding deposit:	A deposit of HK\$306,071, being one month rental and one month management fee has been paid by the tenant to the landlord upon signing the Provisional Lease Agreement. The holding deposit will be held by the landlord and will be utilized to offset one month's rental and/or management fee upon signing of the formal lease agreement.
Security deposit:	A cash deposit of HK\$977,013, being the sum of three months' rental, three months' management fee and a quarter of the annual government rates and rent shall be paid to the landlord upon signing of the formal lease agreement.
Formal lease agreement:	The Provisional Lease Agreement is legally binding upon execution by the Parties. The landlord and the tenant will enter into a formal lease agreement not later than 5 November 2020.

The rental payable by the tenant under the Provisional Lease Agreement was determined after arm's length negotiations between the landlord and the tenant with reference to the prevailing market rent for properties of similar use, floor area and location.

The monthly rental, management fee, government rates and rent, the holding deposit, the security deposit, the stamp duty and other relevant expenses will be paid through the Group's internal source of funding.

RIGHT-OF-USE ASSETS

Pursuant to HKFRS 16, the tenancy of the Premises will be recognized as right-of-use assets for an amount of approximately HK\$8.7 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the Provisional Lease Agreement.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE PROVISIONAL LEASE AGREEMENT

The Group principally engages in logistics business and in addition to the Group's core air cargo handling services, the Group strategically offers value-added services at its warehouses in response to the rising demand from the Group's customers, which require customised value-added logistics services. The value added services which the Group offers include warehousing and storage, x-ray screening, weighing, loading and unloading, palletising, repackaging and labelling services, and also local delivery within Hong Kong.

In response to the new policy direction from the International Civil Aviation Organisation to progressively increase the required screening percentage of known cargos to 100% by 30 June 2021, the Group has to enhance its logistics capability, in order to remain competitive in the logistics industry and fulfil the increasing and strong demand for cargos-screening services from its existing customers.

As the Group considers Hong Kong as its principal place of business, the Premises is situated at a prime location for providing value-added logistics services. The Premises is conveniently located in the middle of Hong Kong and in the heart of Kwai Chung Container Terminals which is accessible to all directions of Hong Kong. In addition, the adjacent traffic of the Premises allows the Group's logistics fleet to easily gain access to all areas in Hong Kong. The Premises is also well suited for warehouse and storage purpose because of its size and conditions.

The terms of the Provisional Lease Agreement, including the rental (but exclusive of management fee and other relevant expenses), were determined after arm's length negotiations between the Parties and with reference to the prevailing market rent of comparable properties. The entering into of the Provisional Lease Agreement is necessary for the operation of the businesses of the Group and is in the ordinary and usual course of business of the Group. Therefore, the Directors, including the independent non-executive Directors, consider that the terms of the Provisional Lease Agreement are on normal commercial terms, fair and reasonable and the entering into of the Provisional Lease Agreement is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The tenant

Kwai Bon Transportation Limited is a limited liability company incorporated under the laws of Hong Kong on 17 November 1994, which is an indirect wholly-owned subsidiary of the Company. Kwai Bon (HK) is the operating company for the Group's

logistics business and is principally engaged in the provision of air cargo ground handling, transportation services and warehousing and other value-added services in Hong Kong.

The landlord

ATL Logistics Centre Hong Kong Limited is a limited liability company incorporated under the laws of Hong Kong on 31 December 1981. The principal activity of the landlord is operation of cargo handling and storage facilities. ATL Logistics Centre is owned as to 51%, 39% and 10% by CSX World Terminals Hong Kong Limited, Hetro Limited and Central Development International Holdings Limited. According to the latest annual report of New World Development Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 0017)), ATL Logistics Centre is one of its principal joint ventures. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the landlord and its ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER GEM LISTING RULES

According to HKFRS 16 which is effective from 1 January 2019, the Group, if entering into lease transaction as a lessee should recognize the Premises as the right-of-use assets in the consolidated financial statements of the Company. As such, the entering into the Provisional Lease Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group under the definition of transaction set out in Rule 19.04(1)(a) of the GEM Listing Rules.

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DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“ATL Logistics Centre”	ATL Logistics Centre Hong Kong Limited, a limited liability company incorporated under the laws of Hong Kong on 31 December 1981, which is an Independent Third Party and the landlord of the Premises under the Provisional Lease Agreement
“Board”	the board of Directors

“Company”	Asia-express Logistics Holdings Limited, a company incorporated in the Cayman Islands on 2 January 2018 as an exempted company with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8620)
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standards 16 “Leases” which includes standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not a connected person(s) of the Company and is a third party(ies) independent of the Company and its connected person(s) in accordance with the GEM Listing Rules
“Kwai Bon (HK)”	Kwai Bon Transportation Limited, a limited liability company incorporated under the laws of Hong Kong on 17 November 1994, and an indirect wholly-owned subsidiary of the Company
“Premises”	Gridlines 4024W–4026W (Module W1) on 4/F, ATL Logistics Centre A
“Provisional Lease Agreement”	a provisional lease agreement dated 30 October 2020 entered into between Kwai Bon (HK) as the tenant and ATL Logistics Centre as the landlord in relation to the lease of the Premises
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent.

By order of the Board of
Asia-express Logistics Holdings Limited
Chan Le Bon
Chairman

Hong Kong, 30 October 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 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, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs 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 Stock Exchange’s website at www.hkexnews.hk and the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at www.asia-expresslogs.com.