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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1737)

DISCLOSEABLE TRANSACTION
IN RELATION TO THE PRE-LEASE OFFER LETTER
AND
CHANGE IN USE OF NET PROCEEDS

THE PRE-LEASE OFFER LETTER

On 9 May 2023, A & S (HK) (an indirect wholly-owned subsidiary of the Company) as tenant entered into the Pre-Lease Offer Letter with the Landlord in relation to the lease of the Warehouse for a term of 3 years and 3 months commencing on 1 April 2024 and expiring on 30 June 2027 (both days inclusive).

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, as a result of entering into the Pre-Lease Offer Letter, the Group will recognise the value of the right-of-use asset in its financial statements in relation to the lease of the Warehouse under the Pre-Lease Offer Letter. Accordingly, the Transaction contemplated under the Pre-Lease Offer Letter will be regarded as an acquisition of asset by the Group according to the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceeds 5% but all applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from shareholders’ approval requirement pursuant to Chapter 14 of the Listing Rules.

INTRODUCTION

On 9 May 2023, A & S (HK) (an indirect wholly-owned subsidiary of the Company) as tenant entered into the Pre-Lease Offer Letter with the Landlord in relation to the lease of the Warehouse for a term of 3 years and 3 months commencing on 1 April 2024 and expiring on 30 June 2027 (both days inclusive).

THE PRE-LEASE OFFER LETTER

Principal terms of the Pre-Lease Offer Letter are summarised below:

Date:	9 May 2023
Landlord:	Hong Kong Cingleot Investment Management Limited
	To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.
Tenant:	A & S (HK), an indirect wholly-owned subsidiary of the Company.
Location of the Warehouse:	Portion of L2 of the Logistics Centre Development at L933 Kwo Lo Wan in Chek Lap Kok, Lot No. 1 RP & Extension, Hong Kong International Airport.
Lettable area:	Approximately 55,682 square feet.
Term:	Three (3) years and three (3) months commencing on 1 April 2024 and expiring on 30 June 2027 (both days inclusive).
Monthly rental:	Monthly rental shall be approximately HK\$985,572 (exclusive of rates, government rent, management fee and other outgoings, which are payable by the Tenant).
Monthly management charges:	Monthly management charges shall be approximately HK\$2 per square foot subject to review in accordance with the provisions of the Pre-Lease Offer Letter.
Rent-free period:	The first three (3) months from the commencement of the term.

Deposits:	Approximately HK\$2,956,716, equivalent to the aggregate of three months of monthly rental and monthly management charges. The deposit shall be refunded to the Tenant without interest within 30 days after the expiration or upon early termination of the Pre-Lease Offer Letter provided that all the terms and conditions shall have been duly performed and observed.
Basis of determining the monthly rental:	The rent under the Pre-Lease Offer Letter was determined after arm's length negotiations between the Landlord and the Tenant taking into account the prevailing market rent and lease terms of similar premises in the proximity of the Warehouse. The monthly rental is expected to be funded through the internal resources of the Group.
Right of first refusal:	The Tenant shall be granted a right of first refusal in relation to a portion of L2, being an area of approximately 140,767 square feet gross adjoining the Warehouse from the date of the Pre-Lease Offer Letter until 31 January 2024, subject to the terms and conditions to be agreed by the Landlord and the Tenant.

INFORMATION ON THE PARTIES

The Company

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

A & S (HK)

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

The Landlord

Hong Kong Cingleot Investment Management Limited, a company incorporated in Hong Kong with limited liability on 26 June 2018, is a subsidiary of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), whose shares are listed on the Main Board of the Stock Exchange (stock code: 9988) and on the New York Stock Exchange (symbol: BABA). The Landlord's group provides technology infrastructure and marketing platforms, and their Cainiao (菜鳥) segment includes

domestic and international one-stop-shop logistics services and supply chain management solutions. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS OF THE TRANSACTION

Owing to the increasing demand of the Group's air freight forwarding ground handling services from its customers, the Group considers there is operational needs for the Group to set up a warehouse in the Chek Lap Kok district to capture new business opportunities. As such, the Board considers that the Transaction contemplated under the Pre-Lease Offer Letter was entered into in the ordinary and usual course of business of the Group and will enhance the Group's service capabilities and potential profitability.

Having considered (i) the operational requirements of the Group; and (ii) the prevailing market rent for warehouse space in the vicinity and the terms of the Pre-Lease Offer Letter, the Directors are of the view that the terms of the Pre-Lease Offer Letter are on normal commercial terms and the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE RIGHT-OF-USE ASSET

Based on preliminary estimation by the Company, the unaudited value of the right-of-use asset to be recognised by the Group under the Pre-Lease Offer Letter shall amount to approximately HK\$34,000,000, which is the present value of the aggregate lease payments payable under the term of the Pre-Lease Offer Letter in accordance with HKFRS 16. A discount rate of 5.01% is applied to compute the present value of aggregate lease payments under the Pre-Lease Offer Letter.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", as a result of entering into the Pre-Lease Offer Letter, the Group will recognise the value of the right-of-use asset in its financial statements in relation to the lease of the Warehouse under the Pre-Lease Offer Letter. Accordingly, the Transaction contemplated under the Pre-Lease Offer Letter will be regarded as an acquisition of asset by the Group according to the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceeds 5% but all applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

CHANGE IN USE OF NET PROCEEDS

Reference is made to (i) the prospectus of the Company dated 28 February 2018 (the “**Prospectus**”) in relation to the listing of the Shares on the Stock Exchange (the “**Listing**”), which sets out the intended use of the net proceeds from the issue of new Shares (the “**Net Proceeds**”) at the time of preparing the Prospectus; (ii) the interim report of the Company for the six months ended 30 September 2022 (the “**Interim Report**”); and (iii) the announcement of the Company dated 7 February 2023 (the “**Supplemental Announcement**”), in which the utilisation of the Net Proceeds up to 30 September 2022 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The Board hereby announces that it has resolved to change the use of the Net Proceeds.

USE OF NET PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Net Proceeds were intended to be used for the following purposes:

- approximately 39.2% of the Net Proceeds will be used for setting up of new warehouse premises in Tuen Mun;
- approximately 39.2% of the Net Proceeds will be used for upgrading existing facilities and acquiring additional trucks and equipment;
- approximately 15.7% of the Net Proceeds will be used for implementing new information technology system; and
- approximately 5.9% of the Net Proceeds will be used as general working capital of the Group.

The Net Proceeds from the Listing were approximately HK\$92,800,000 (after deducting underwriting fees and related listing expenses). As disclosed in the section headed “Use of Net Proceeds from Share Offer” in the Interim Report and the Supplemental Announcement, the Company had used approximately HK\$43,000,000 of the Net Proceeds up to 30 September 2022 in the manner disclosed in the Interim Report and the Supplemental Announcement, which also detailed that due to the Group’s specific requirements on the warehouse premises and the property market condition of Hong Kong, the Group has taken more time to identify suitable premise for rental on terms acceptable to the Group, with the balance of the unutilised Net Proceeds expected to be utilised and plans to be accomplished by 31 December 2024.

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$51,600,000. On 9 May 2023, the Board resolved to change the use of the unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the revised change in the use of the unutilised Net Proceeds is set out as below:

Business objective and strategy	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Revised application of the unutilised Net Proceeds <i>HK\$ million</i>	Expected timeline for utilising the unutilised Net Proceeds
Setting up of new warehouse premises in Tuen Mun	36.4	—	36.4	—	N/A
Setting up of the Warehouse	—	—	—	36.4	31 December 2024
Upgrading existing facilities and acquiring additional trucks and equipment	36.4	30.6	5.8	5.8	31 December 2024
Implementing new information technology system	14.5	5.1	9.4	9.4	31 December 2024
General working capital	<u>5.5</u>	<u>5.5</u>	<u>—</u>	<u>—</u>	—
Total	<u><u>92.8</u></u>	<u><u>41.2</u></u>	<u><u>51.6</u></u>	<u><u>51.6</u></u>	

The Group intends to finance the capital expenditure for setting up the Warehouse premises using the Net Proceeds. Based on the current market conditions, the Directors estimate that the set up cost of the Warehouse premises includes the capital expenditure for warehouse facilities, such as installation of cargo storage and forklift operating systems, measurement and control systems, and RFID and scanning applications in the Warehouse premises, of approximately HK\$19,600,000, rental payment of the Warehouse premises for the first year of approximately HK\$11,800,000 and working capital for the Warehouse premises of approximately HK\$5,000,000.

The unutilised Net Proceeds is expected to be fully utilised within 19 months from the date of this announcement. Such expected timeline is based on the estimation made by the Group which might be subject to changes in accordance with the change in market conditions from time to time.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS

Having revisited and assessed the options of premises for setting up new warehouses available to the Group from time to time, the Group considers the plan of setting up a new warehouse in the Tuen Mun District would not be the best option under current situation. Instead, the Board considers setting up a new warehouse in the Warehouse premises would be a more suitable option, given that (i) the Warehouse is located in Chek Lap Kok and near the Hong Kong International Airport, which could largely reduce the transportation cost, size of its freight team and man power for the logistic arrangement between new warehouses and the Hong Kong International Airport; (ii) sharing of synergetic advantage with its current warehouse in the AFFC, which is also located in Chek Lap Kok; (iii) the newly constructed Warehouse is considered to be equipped with more advanced basic infrastructure, including IOT supportive systems, which could enhance its service standard and scope, as compared to that of the warehouse premises in Tuen Mun District; and (iv) the rental and management fee of the Warehouse is comparable to that of the warehouse premises in Tuen Mun District.

The Board confirms that there are no material changes in the nature of business of the Group. The Board is of the view that the change in use of the unutilised Net Proceeds will enable the Group to effectively meet the financial needs of the Group and enhance the flexibility in financial management of the Company and is in line with the current business needs of the Group, and therefore, is in the best interests of the Company and its shareholders.

The Board will continuously assess the plans for the use of unutilised Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions in order to strive for a better performance of the Group.

The shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITION

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

“A & S (HK)” or “Tenant” A & S (HK) Logistics Limited (亞洲實業(香港)物流有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

“AFFC” Airport Freight Forwarding Centre

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	A & S Group (Holdings) Limited (亞洲實業集團(控股)有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange since 14 March 2018
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party independent of the Company and its connected persons in accordance with the Listing Rules
“IOT”	Internet of Things
“Landlord”	Hong Kong Cingleot Investment Management Limited, a company incorporated in Hong Kong with limited liability on 26 June 2018, a subsidiary of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), whose shares are listed on the Main Board of the Stock Exchange (stock code: 9988) and on the New York Stock Exchange (symbol: BABA), an Independent Third Party

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Pre-Lease Offer Letter”	The pre-lease offer letter entered into between A & S (HK) Logistics Limited as tenant and the Landlord on 5 May 2023 in the relation to the lease of the Warehouse
“RFID”	Radio Frequency Identification
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the leasing of the Warehouse by the Tenant under the terms set out in the Pre-Lease Offer Letter
“Warehouse”	Portion of L2 of the Logistics Centre Development at L933 Kwo Lo Wan in Chek Lap Kok, Lot No. 1 RP & Extension, Hong Kong International Airport
“%”	per cent

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

Hong Kong, 9 May 2023

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