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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 AN OFFER LETTER TO THE NEW LEASE

THE OFFER LETTER

The Board is pleased to announce that after the Stock Exchange trading hours on 21 December 2021, Kwai Bon (HK), an indirect wholly-owned subsidiary of the Company, entered into the Offer Letter as tenant with United Hero, an Independent Third Party, as landlord in respect of the leasing of the Premises for a term of six years commencing from 15 February 2022 to 14 February 2028 (both days inclusive) for the operation of the Group's office use.

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 Offer Letter 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 Offer Letter exceeds 5% but less than 25%, the transaction contemplated under the Offer Letter 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 21 December 2021, Kwai Bon (HK), an indirect wholly-owned subsidiary of the Company, entered into the Offer Letter as tenant with United Hero, an Independent Third Party, as landlord in respect of the leasing of the Premises for a term of six years commencing from 15 February 2022 to 14 February 2028 (both days inclusive) for the operation of the Group's office use.

KEY TERMS OF THE OFFER LETTER

- Date: 21 December 2021
- Parties: (i) United Hero, an Independent Third Party, as the landlord
(ii) Kwai Bon (HK), an indirect wholly-owned subsidiary of the Company, as the tenant
- Premises: The whole 3rd Floor of Yoo Hoo Tower (also known as Tower 2, Magnet Place), Nos. 38–42 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong
- Term: Six years commencing on 15 February 2022 and expiring on 14 February 2028 (both days inclusive)
- Use of the Premises: The tenant shall use the Premises for the operation of the Group's office use.
- Monthly rental: The monthly base rent shall be HK\$142,810.5 from 15 February 2022 to 14 February 2025 (both days inclusive) and HK\$162,508.5 from 15 February 2025 to 14 February 2028 (both days inclusive) (exclusive of management fee, government rates, government rent, utility charges and other outgoings), payable in advance.
- Rent free period: Seventy five days rent free period from 15 February 2022 to 30 April 2022 (both days inclusive). During the rent free period, the management fee, government rates, government rent and other relevant expenses shall be borne by the tenant.
- Management fee: The current monthly management fee shall be HK\$44,320.5 (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 Offer Letter including the rental, management fee, government rates and government rent, is expected to be approximately HK\$16,282,000 during the Term.
Security deposit:	A cash deposit of HK\$656,721, being the sum of three months' rental, three months' management fee and a quarter of the annual government rates and government rent shall be paid by the tenant to the landlord upon signing of the formal lease agreement or handover of the Premises whichever is the earlier.
Formal lease agreement:	The Offer Letter is legally binding upon execution by the Parties. The landlord and the tenant will enter into a formal lease agreement not later than 21 January 2022.

The rental payable by the tenant under the Offer Letter 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 security deposit, the stamp duty and other relevant expenses will be paid through the Group's internal source of funding.

RIGHT-OF-USE ASSETS

The value of the right-of-use assets to be recognised by the Company under the Offer Letter amounted to approximately HK\$9.7 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the Offer Letter.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE OFFER LETTER

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 include warehousing and storage, x-ray screening, weighing, loading and unloading, palletising, repackaging and labelling services, and also local delivery within Hong Kong.

As the Group considers Hong Kong as its principal place of business, the office premises is used for the purpose of daily administrative and operation. In order to fulfil the future development plan of the Group, an office premises with more working place is needed.

The terms of the Offer Letter, 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 Offer Letter 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 Offer Letter are on normal commercial terms, fair and reasonable and the entering into of the Offer Letter is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The tenant

Kwai Bon (HK) 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

United Hero is a limited liability company incorporated under the laws of Hong Kong. To the best knowledge of the Directors, the principal activity of United Hero is property investment. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, United Hero and its ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER GEM LISTING RULES

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As one or more of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Offer Letter exceeds 5% but less than 25%, the transaction contemplated under the Offer Letter 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 set out under the GEM Listing Rules.

DEFINITIONS

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

“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 (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

“Offer Letter”	an offer letter dated 21 December 2021 entered into between Kwai Bon (HK) as the tenant and United Hero as the landlord in relation to the lease of the Premises
“Parties”	Kwai Bon (HK) as the tenant and United Hero as the landlord
“Premises”	The whole 3rd floor of Yoo Hoo Tower (also known as Tower 2, Magnet Place), Nos. 38–42 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United Hero”	United Hero Investment Limited, a limited liability company incorporated under the laws of Hong Kong, which is an Independent Third Party and the landlord of the Premises under the Offer Letter
“%”	per cent.

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

Hong Kong, 21 December 2021

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.