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WAN LEADER INTERNATIONAL LIMITED
萬勵達國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8482)

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 (the “**Directors**”) of Wan Leader International Limited (the “**Company**”) 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

THE FINANCIAL STATEMENTS

Annual Results

The board of Directors (the “**Board**”) of Wan Leader International Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020 together with the comparative audited figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

| | | 2020 | 2019 |
|---|-------|------------------------|------------------|
| | Notes | HK\$'000 | HK\$'000 |
| Revenue | 4 | 211,011 | 193,032 |
| Cost of services | | <u>(194,427)</u> | <u>(166,229)</u> |
| Gross profit | | 16,584 | 26,803 |
| Other income | 5 | 162 | 77 |
| Other gains and losses | 6 | (61) | (464) |
| Marketing expenses | | (4,259) | (4,151) |
| Administrative expenses | | (32,372) | (27,152) |
| Impairment losses recognised on trade receivables under expected credit loss model, net of reversal | | (262) | (933) |
| Other expenses | | (3,600) | – |
| Listing expenses | | – | (9,513) |
| Finance costs | 7 | <u>(559)</u> | <u>(158)</u> |
| Loss before taxation | | (24,367) | (15,491) |
| Income tax credit (expense) | 8 | <u>1,527</u> | <u>(480)</u> |
| Loss for the year | 9 | <u>(22,840)</u> | <u>(15,971)</u> |
| Other comprehensive expense for the year | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on translation of foreign operations | | <u>(104)</u> | – |
| Other comprehensive expense for the year | | <u>(104)</u> | – |
| Total comprehensive expense for the year | | <u>(22,944)</u> | <u>(15,971)</u> |

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Loss for the year attributable to: | | | |
| Owners of the Company | | (21,997) | (15,971) |
| Non-controlling interest | | (843) | – |
| | | <u>(22,840)</u> | <u>(15,971)</u> |
| Total comprehensive expense | | | |
| for the year attributable to: | | | |
| Owners of the Company | | (22,073) | (15,971) |
| Non-controlling interest | | (871) | – |
| | | <u>(22,944)</u> | <u>(15,971)</u> |
| Loss per share | | | |
| Basic and diluted (HK cents) | <i>11</i> | <u>(2.62)</u> | <u>(2.18)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 16,656 | 2,999 |
| Intangible asset | | – | 316 |
| Rental deposits | | 4,166 | 3,794 |
| Pledged bank deposit | | 769 | – |
| Deposits paid for acquisition of property, plant and equipment | | – | 1,376 |
| Deferred tax assets | | 1,595 | 33 |
| | | 23,186 | 8,518 |
| CURRENT ASSETS | | | |
| Trade and other receivables | <i>12</i> | 48,362 | 32,991 |
| Tax recoverable | | 594 | 2,623 |
| Pledged bank deposits | | 2,042 | 2,500 |
| Bank balances and cash | | 15,856 | 43,632 |
| | | 66,854 | 81,746 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>13</i> | 29,225 | 19,886 |
| Lease liabilities/obligations under finance leases | | 6,527 | 228 |
| Provisions | | 2,000 | – |
| Contract liabilities | | 221 | 420 |
| | | 37,973 | 20,534 |
| NET CURRENT ASSETS | | 28,881 | 61,212 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities/obligations under finance leases | | 4,105 | 96 |
| Provisions | | 526 | 313 |
| Deferred tax liabilities | | – | 81 |
| | | 4,631 | 490 |
| NET ASSETS | | 47,436 | 69,240 |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>14</i> | 8,400 | 8,400 |
| Other reserves | | 64,562 | 64,638 |
| Accumulated losses | | (25,795) | (3,798) |
| | | 47,167 | 69,240 |
| Non-controlling interest | | 269 | – |
| TOTAL EQUITY | | 47,436 | 69,240 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

| | Attributable to owners of the Company | | | | | | | | |
|---|---------------------------------------|---------------------------|---|---|------------------------------|--|-------------------|--------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserve (Note (i)) HK\$'000 | Merger reserve (Note (ii)) HK\$'000 | Exchange reserve HK\$'000 | Retained profits (accumulated losses) HK\$'000 | Total HK\$'000 | Non-controlling interest HK\$'000 | Total HK\$'000 |
| At 1 April 2018 | 1,417 | - | 14,118 | (326) | - | 12,173 | 27,382 | - | 27,382 |
| Loss for the year | - | - | - | - | - | (15,971) | (15,971) | - | (15,971) |
| Effect of reorganisation (Note (iii)) | (1,417) | - | - | 1,417 | - | - | - | - | - |
| Capitalisation issue | 5,880 | (5,880) | - | - | - | - | - | - | - |
| Issue of new shares upon listing | 2,520 | 66,780 | - | - | - | - | 69,300 | - | 69,300 |
| Cost of issuance of new shares | - | (11,471) | - | - | - | - | (11,471) | - | (11,471) |
| At 31 March 2019 | 8,400 | 49,429 | 14,118 | 1,091 | - | (3,798) | 69,240 | - | 69,240 |
| Loss for the year | - | - | - | - | - | (21,997) | (21,997) | (843) | (22,840) |
| Exchange difference on translation of foreign operations | - | - | - | - | (76) | - | (76) | (28) | (104) |
| Total comprehensive expense for the year | - | - | - | - | (76) | (21,997) | (22,073) | (871) | (22,944) |
| Capital contribution from a non-controlling interest of a newly incorporated subsidiary | - | - | - | - | - | - | - | 1,140 | 1,140 |
| At 31 March 2020 | 8,400 | 49,429 | 14,118 | 1,091 | (76) | (25,795) | 47,167 | 269 | 47,436 |

Notes:

- (i) Other reserve represents the (i) deemed contribution by a non-controlling shareholder through acquisition of Orient Zen Logistics Services Limited (“**Orient Zen**”), (ii) acquisition of additional interest of Orient Zen and (iii) allotment of shares of Ever Metro International Limited (“**Ever Metro**”) to strategic investors.
- (ii) Amount represents difference between the par value of the shares issued by Ever Metro for the combination of the entire equity interests in Union Air Cargo Limited (“**Union Air**”) and Fu Yo Warehouse Logistics Company Limited (“**Fu Yo**”) and the amount of share capital of Union Air and Fu Yo.

The combination of Union Air and Fu Yo by Ever Metro have been accounted for using the principles of merger accounting as Union Air, Fu Yo and Ever Metro are under the common control of Mr. Loy Hak Yu Thomas both before and after these acquisition and the control is not transitory.

- (iii) The adjustment in share capital of HK\$1,417,000 represented the elimination of combined share capital of the companies comprising the Group upon the completion of reorganisation for the purpose of listing of shares of the Company on The Stock Exchange of Hong Kong Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Wan Leader International Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 5 September 2018. The immediate and ultimate holding company is Ho Tat Limited (“**Ho Tat**”), a company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Loy Hak Yu Thomas (“**Mr. Thomas Loy**”), who is also the Chairman of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”), are principally engaged in freight forwarding and related logistics services and warehousing and related value-added services.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”). Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 March 2020 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2019.

3. 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 positions and performance for the current and prior years.

HKFRS 16 “Leases”

The Group has applied 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.

For leases previously classified as operating leases under HKAS 17, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition as at 1 April 2019. 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, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. 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. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

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 4.38%.

| | <i>Note</i> | At 1 April 2019 <i>HK\$'000</i> |
|--|-------------|---------------------------------------|
| Operating lease commitments disclosed as at 31 March 2019 | | <u>13,024</u> |
| Lease liabilities discounted at relevant incremental borrowing rates | | 12,426 |
| Less: Recognition exemption – short-term leases | | <u>(106)</u> |
| Lease liabilities relating to operating leases recognised upon application of HKFRS 16 | | 12,320 |
| Add: Obligations under finance leases recognised at 31 March 2019 | <i>(a)</i> | <u>324</u> |
| Lease liabilities as at 1 April 2019 | | <u><u>12,644</u></u> |
| Analysed as | | |
| Current | | 5,524 |
| Non-current | | <u>7,120</u> |
| | | <u><u>12,644</u></u> |

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

| | <i>Notes</i> | Right-of-use assets <i>HK\$'000</i> |
|--|--------------|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | | 12,320 |
| Amounts included in property, plant and equipment under HKAS 17 | | |
| – Assets previously under finance leases | <i>(a)</i> | 512 |
| – Restoration and reinstatement costs | <i>(b)</i> | 256 |
| Adjustments on rental deposits at 1 April 2019 | <i>(c)</i> | <u>135</u> |
| | | <u>13,223</u> |

- (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\$512,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$228,000 and HK\$96,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (b) In relation to the leases of office premises that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK\$256,000 as at 1 April 2019 were included as right-of-use assets.
- (c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. 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\$135,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

| | | Carrying amounts previously reported at 31 March 2019 | Adjustments | Carrying amounts under HKFRS 16 at 1 April 2019 |
|--|----------|---|-------------|---|
| | Notes | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | (a), (b) | 2,999 | 12,455 | 15,454 |
| Rental deposit | (c) | 3,794 | (135) | 3,659 |
| Current liabilities | | | | |
| Lease liabilities/obligations under finance leases | (a) | 228 | 5,296 | 5,524 |
| Non-current liabilities | | | | |
| Lease liabilities/obligations under finance leases | (a) | 96 | 7,024 | 7,120 |

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

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 ¹ |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions ⁶ |
| Amendments to HKFRS 3 | Definition of a Business ² |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ⁵ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKAS 1 and HKAS 8 | Definition of a Material ⁴ |
| Amendments to HKAS 16 | Property, Plant and Equipment - Proceeds before Intended Use ⁵ |
| Amendments to HKAS 37 | Onerous Contracts - Cost of Fulfilling a Contract ⁵ |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform ⁴ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 ⁵ |

¹ Effective for annual periods beginning on or after 1 January 2021

² 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

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 “Definition of a Business”

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents provision of (i) Freight forwarding and related logistics services and (ii) Warehousing and related value-added services. Revenue is recognised when or as the service is transferred to customers.

The Group's revenue from freight forwarding and related logistics services and warehousing and related value-added services is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, using output method.

During the year ended 31 March 2020 and 2019, all performance obligations for freight forwarding and related logistics services and warehousing and related value-added services are for period of less than one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied/partially unsatisfied performance obligations as at 31 March 2020 and 31 March 2019 are not disclosed.

Disaggregation of revenue from contract with customers

| Segments | For the year ended 31 March 2020 | |
|---|--|--|
| | Freight forwarding and related logistics services <i>HK\$'000</i> | Warehousing and related value-added services <i>HK\$'000</i> |
| Types of services | | |
| Freight forwarding and related logistics services | | |
| Air freight | 169,599 | – |
| Sea freight | 8,360 | – |
| | <u>177,959</u> | <u>–</u> |
| Warehousing and related value-added services | – | 33,052 |
| | <u>–</u> | <u>33,052</u> |
| Total | <u>177,959</u> | <u>33,052</u> |

| Segments | For the year ended 31 March 2019 | |
|---|--|--|
| | Freight forwarding and related logistics services <i>HK\$'000</i> | Warehousing and related value-added services <i>HK\$'000</i> |
| Types of services | | |
| Freight forwarding and related logistics services | | |
| Air freight | 152,285 | – |
| Sea freight | 15,984 | – |
| | <u>168,269</u> | <u>–</u> |
| Warehousing and related value-added services | – | 24,763 |
| | <u>–</u> | <u>24,763</u> |
| Total | <u>168,269</u> | <u>24,763</u> |

Disaggregation of revenue by geographical location is presented in segment information.

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM") of the Group, being Mr. Thomas Loy, for the purpose of resource allocation and performance assessment focuses on the different types of services. The Directors regularly review revenue and results analysis by (i) Freight forwarding and related logistics services and (ii) Warehousing and related value-added services. No analysis of segment assets and segment liabilities is presented as such information is not regularly provided to the CODM.

For the year ended 31 March 2020

| | Freight forwarding and related logistics services <i>HK\$'000</i> | Warehousing and related value-added services <i>HK\$'000</i> | Segment Total <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------|--|--|-------------------------------------|--------------------------------|--------------------------|
| Revenue | | | | | |
| External revenue | 177,959 | 33,052 | 211,011 | – | 211,011 |
| Inter-segment revenue | <u>4</u> | <u>5,488</u> | <u>5,492</u> | <u>(5,492)</u> | <u>–</u> |
| Segment revenue | <u>177,963</u> | <u>38,540</u> | <u>216,503</u> | <u>(5,492)</u> | <u>211,011</u> |
| Result | | | | | |
| Segment results | <u>(10,043)</u> | <u>(5,580)</u> | <u>(15,623)</u> | <u>–</u> | <u>(15,623)</u> |
| Central administrative expenses | | | | | <u>(8,744)</u> |
| Loss before taxation | | | | | <u>(24,367)</u> |

For the year ended 31 March 2019

| | Freight forwarding and related logistics services <i>HK\$'000</i> | Warehousing and related value-added services <i>HK\$'000</i> | Segment Total <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------|--|--|-------------------------------------|--------------------------------|--------------------------|
| Revenue | | | | | |
| External revenue | 168,269 | 24,763 | 193,032 | – | 193,032 |
| Inter-segment revenue | – | 4,817 | 4,817 | (4,817) | – |
| Segment revenue | <u>168,269</u> | <u>29,580</u> | <u>197,849</u> | <u>(4,817)</u> | <u>193,032</u> |
| Result | | | | | |
| Segment results | <u>3,436</u> | <u>(4,090)</u> | <u>(654)</u> | <u>–</u> | <u>(654)</u> |
| Central administrative expenses | | | | | (5,324) |
| Listing expenses | | | | | <u>(9,513)</u> |
| Loss before taxation | | | | | <u>(15,491)</u> |

Inter-segment sales are charged at prices mutually agreed by both parties.

Segment result represents loss before taxation from each segment without allocation of certain central administrative expenses and listing expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Other segment information – Amounts included in segment results

For the year ended 31 March 2020

| | Freight forwarding and related logistics service <i>HK\$'000</i> | Warehousing and related value-added services <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--------------------------------|--------------------------|
| Amount included in the measure of segment profit and loss: | | | | |
| Depreciation of property, plant and equipment | 849 | 8,191 | 45 | 9,085 |
| Gain on disposals of property, plant and equipment | (32) | (6) | – | (38) |
| Amortisation of intangible asset | 316 | – | – | 316 |
| Impairment losses recognised on trade receivables, net | <u>240</u> | <u>22</u> | <u>–</u> | <u>262</u> |

For the year ended 31 March 2019

| | Freight forwarding and related logistics service <i>HK\$'000</i> | Warehousing and related value-added services <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---|--------------------------------|--------------------------|
| Amount included in the measure of segment profit and loss: | | | | |
| Depreciation of property, plant and equipment | 568 | 714 | 47 | 1,329 |
| Loss on disposals/write off of property, plant and equipment | 100 | 480 | – | 580 |
| Amortisation of intangible asset | 949 | – | – | 949 |
| Impairment losses recognised (reversal of impairment losses recognised) on trade receivables, net | <u>951</u> | <u>(18)</u> | <u>–</u> | <u>933</u> |

Geographical information

The Group's revenue by geographical market based on the location of operations:

| | For the year ended 31 March 2020 | | |
|--|---|---|--------------------------|
| | Freight forwarding and related logistics service <i>HK\$'000</i> | Warehousing and related value-added services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Hong Kong (place of domicile) | 156,921 | 33,052 | 189,973 |
| The People's Republic of China (the "PRC") | 1,245 | – | 1,245 |
| Taiwan | <u>19,793</u> | <u>–</u> | <u>19,793</u> |
| Total | <u>177,959</u> | <u>33,052</u> | <u>211,011</u> |

| | For the year ended 31 March 2019 | | |
|-------------------------------|---|---|--------------------------|
| | Freight forwarding and related logistics service <i>HK\$'000</i> | Warehousing and related value-added services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Hong Kong (place of domicile) | <u>168,269</u> | <u>24,763</u> | <u>193,032</u> |

Information about the Group's non-current assets by geographical market based on location of assets:

| | 2020 <i>HK\$'000</i> | 2019 HK\$'000 |
|-------------------------------|--------------------------------|------------------|
| Non-current assets | | |
| Hong Kong (place of domicile) | 14,816 | 4,691 |
| Taiwan | 1,840 | – |
| | <hr/> | <hr/> |
| Total | 16,656 | 4,691 |
| | <hr/> | <hr/> |

Note: Non-current assets exclude financial instruments and deferred tax assets.

Information about major customers

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Customer A ¹ | 30,919 | 39,099 |
| Customer B ¹ | N/A* | 20,688 |
| | <hr/> | <hr/> |
| | 30,919 | 59,787 |
| | <hr/> | <hr/> |

¹ Revenue from freight forwarding and related logistics services.

* The corresponding amount is less than 10% of the total sales for the respective years.

5. OTHER INCOME

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Interest income | | |
| – bank deposits | 84 | 77 |
| – rental deposits | 66 | – |
| Sundry income | <u>12</u> | <u>–</u> |
| | <u>162</u> | <u>77</u> |

6. OTHER GAINS AND LOSSES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Exchange (loss)gain | (99) | 116 |
| Gain(loss) on disposals/write-offs of property, plant and equipment | <u>38</u> | <u>(580)</u> |
| | <u>(61)</u> | <u>(464)</u> |

7. FINANCE COSTS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interest on bank borrowings | – | 138 |
| Interest on lease liabilities/obligations under finance leases | <u>559</u> | <u>20</u> |
| | <u>559</u> | <u>158</u> |

8. INCOME TAX (CREDIT) EXPENSE

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| The charge (credit) comprises: | | |
| Hong Kong Profits Tax – current tax | – | 640 |
| Under (over) provision in prior year | 116 | (48) |
| Deferred tax | (1,643) | (112) |
| | <u>(1,527)</u> | <u>480</u> |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (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%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax 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 of that subsidiary.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for the year ended 31 March 2020.

Under the Income Tax Act of the Taiwan area, the corporate income tax rate of the Group’s Taiwan branch is 20%.

9. LOSS FOR THE YEAR

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss for the year has been arrived at after charging: | | |
| Director’s remuneration | 4,389 | 6,568 |
| Other staff salaries and allowances | 15,952 | 12,804 |
| Retirement benefit scheme contributions, excluding those of directors | 740 | 512 |
| Total employee benefits expenses | <u>21,081</u> | <u>19,884</u> |
| Auditor’s remuneration | 1,438 | 1,200 |
| Depreciation of property, plant and equipment | 9,085 | 1,329 |
| Legal and professional fees (included in other expenses) | 1,600 | – |
| Provision for compensation (included in other expenses) | 2,000 | – |
| Operating lease rentals | – | 6,477 |
| Amortisation of intangible asset | <u>316</u> | <u>949</u> |

10. DIVIDENDS

No dividend has been paid or declared during the year ended 31 March 2020 (31 March 2019: nil).

11. LOSS PER SHARE

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Loss | | |
| Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share | <u>(21,997)</u> | <u>(15,971)</u> |
| | 2020 | 2019 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | <u>840,000,000</u> | <u>731,605,479</u> |

The number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2019 had been determined on the assumption that the group reorganisation to enable the Company to become the holding company of the Group had been effective on 1 April 2018.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potential ordinary shares in issue for the year ended 31 March 2020. The Company had the offer size adjustment option for the year ended 31 March 2019. As the Group incurred losses for the year ended 31 March 2019, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Trade receivables | 44,999 | 29,099 |
| Less: allowance for credit losses | <u>(610)</u> | <u>(1,561)</u> |
| | 44,389 | 27,538 |
| Prepayments, deposits and other receivables | 3,849 | 5,421 |
| Rental deposit classified as current asset | <u>124</u> | <u>32</u> |
| | <u>48,362</u> | <u>32,991</u> |

The Group's trade receivables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Denominated in United States Dollar (“USD”) | 10,024 | 6,199 |
| Denominated in Renminbi (“RMB”) | <u>–</u> | <u>630</u> |

The Group allows credit periods ranging from 0 day to 90 days to its customers.

The following is an aging analysis of trade receivables net of allowance for credit losses, presented based on the invoice date at the reporting date:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0 – 30 days | 24,678 | 15,908 |
| 31 – 60 days | 11,243 | 7,649 |
| 61 – 90 days | 5,462 | 1,748 |
| Over 90 days | <u>3,006</u> | <u>2,233</u> |
| | <u>44,389</u> | <u>27,538</u> |

At 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$20,217,000 (2019: HK\$14,231,000) which are past due as at the reporting date. Out of the past due balances, HK\$1,515,000 (2019: HK\$310,000) has been past due 90 days or more and is not considered as in default based on good repayment records for those customers and continuous business relationship with the Group.

13. TRADE AND OTHER PAYABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-------------------------------------|--------------------------------|-------------------------|
| Trade payables | 26,868 | 16,151 |
| Other payables and accrued expenses | 2,357 | 3,735 |
| | <u>29,225</u> | <u>19,886</u> |

The following is an aging analysis of trade payables presented based on the invoice date at the end of the year.

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0 – 30 days | 20,267 | 12,185 |
| 31 – 60 days | 6,153 | 3,809 |
| 61 – 90 days | 388 | 126 |
| Over 90 days | 60 | 31 |
| | <u>26,868</u> | <u>16,151</u> |

14. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company are as follows:

| | Number of Shares | Share capital <i>HK\$</i> |
|--|-----------------------------|--|
| Ordinary shares of HK\$0.01 each | | |
| Authorised | | |
| At 1 April 2018 (<i>Note i</i>) | 38,000,000 | 380,000 |
| Increase during the year (<i>Note ii</i>) | <u>9,962,000,000</u> | <u>99,620,000</u> |
| At 31 March 2019 and at 31 March 2020 | <u>10,000,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid | | |
| At 1 April 2018 | 100 | 1 |
| Issue under reorganisation (<i>Note iii</i>) | 9,900 | 99 |
| Capitalisation issue (<i>Note iv</i>) | 587,990,000 | 5,879,900 |
| Issue of new shares upon listing (<i>Note v</i>) | <u>252,000,000</u> | <u>2,520,000</u> |
| At 31 March 2019 and at 31 March 2020 | <u>840,000,000</u> | <u>8,400,000</u> |

Notes:

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 August 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (ii) Pursuant to the written resolutions of the shareholders of the Company passed on 14 August 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 divided into 10,000,000,000 shares by creation of an additional 9,962,000,000 shares.
- (iii) On 10 August 2018, the Company carried out a common control group reorganisation by issuance of the Company's shares in exchange for the entire share holdings in Ever Metro, from Mr. Thomas Loy, Mr. HM Loy, Double River Limited ("**Double River**"), Prime View Enterprises Limited ("**Prime View**"), Upperhand Holdings Limited ("**Upperhand**") and Sunny King Investment Limited ("**Sunny King**"), respectively. In consideration of the above, the Company allotted and issued (i) 7,077 shares to Ho Tat as directed by Mr. Thomas Loy; (ii) 1,005 shares to Yo Tat as directed by Mr. HM Loy; and (iii) 379 shares, 379 shares, 530 shares and 530 shares to Double River, Prime View, Upperhand and Sunny King, respectively. After such transfer, Ever Metro became a wholly-owned subsidiary of the Company and the group reorganisation was completed. The combination of Ever Metro by the Company have been accounted for using the principles of merger accounting as Ever Metro and the Company are under the common control of Mr. Thomas Loy both before and after these acquisitions and the control is not transitory.
- (iv) On 14 August 2018, the Company issued 587,990,000 shares with par value HK\$0.01 each. A sum of approximately HK\$5,880,000 standing to the credit of the share premium account of the Company was capitalised and applied such amount to pay up in full at par of 587,990,000 ordinary shares of the Company.
- (v) On 5 September 2018 upon the listing on the Stock Exchange, the Company issued 252,000,000 shares with par value HK\$0.01 each at HK\$0.275 each with gross proceeds of HK\$69,300,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year ended 31 March 2020 (the “**Year**”) was an exceptionally challenging period for the Hong Kong economy. The Group’s businesses were greatly affected by the trade disputes (the “**Trade War**”) between the People’s Republic of China (“**PRC**”) and the United States of America (the “**USA**”), the protests and demonstrations in Hong Kong and the global outbreak of the COVID-19 pandemic (the “**Pandemic**”). The gross profit of the Group decreased significantly.

While the PRC and the USA entered into the first phase of agreement in January 2020, in which the USA agreed to halve some of the new tariffs it had imposed to the PRC, it is expected that the negotiations between the two sides for further agreement would be difficult. Uncertainties arising from the Trade War still prevail and businesses of the Group’s customers have been heavily affected. Moreover, the Pandemic fuels uncertainty on the price, schedule, demand and supply for air cargo flight. Many international airlines and cargo flight operators had to cancel or reschedule their flight services in recent months and caused difficulty in the Group’s fulfillment of orders from its customers. The Directors expect that the economic and political challenges will continue to affect the business environment and have a rippling effect through the global supply chains. The Group will closely monitor the needs of the customers and react swiftly in a prudent manner.

As an effort to expand and diversify our businesses, the Group launched its security screening services in August 2019. As disclosed in the Company’s announcement dated 16 June 2019, Fu Yo Warehouse Logistics Company Limited (“**Fu Yo**”), an indirectly wholly-owned subsidiary of the Company, was registered with the Civil Aviation Department as a Regulated Air Cargo Screening Facility (“**Facility**”). Fu Yo entered into quotations with its customers during the Year and has been receiving commercial orders for security screening services at the Facility since August 2019. The Group is also committed to obtain approval from airlines to be their designated off-airport secured screening facilities service provider in Hong Kong. On 18 November 2019, the Facility was further certified as a facility in compliance with the EU RA3 Standard for third country EU aviation security validated regulated agents. The Directors expect that the security screening services will be one of the main drivers of the Group’s revenue in the long run.

Despite the weak economy, the Group is still optimistic about its air freight forwarding business in the long run. During the Year, the Group set up a subsidiary in Shenzhen and a branch in Taipei, whereas both of them have recorded sales, expanded the Group's scope of services and brought new types of customers to the Group.

To control cost, the Company regularly reviews its operation efficiency and expenses, including the remuneration packages of its Directors and senior management and subcontracting charges. On 8 November 2019, upon the recommendation of the Remuneration Committee of the Board, the Board resolved to reduce the director's fees and salaries of all executive Directors and two members of the senior management. The Group also adjusted the salaries of certain employees.

During the Year, the financial performance of the Group was affected by (i) increase in legal and compliance costs, professional fees and printing charges incurred after the listing of the Company's shares on GEM; (ii) increase in purchase costs for air and sea cargo spaces and (iii) increase in warehousing services related costs, including subcontracting charges such as palletisation and trucking services, and depreciation. The Group anticipates that these factors will continue to affect the operation and financial performance of the Group in the next financial year.

To mitigate the possible negative impact on its businesses from the challenging business environment, the Group will further enhance its service capabilities and operational flexibility, offer better and more diverse services to its customers and continue to exercise careful cost controls to strengthen its competitiveness in the logistics industry.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from (i) air freight forwarding and related logistics services; (ii) sea freight forwarding and related logistics services; and (iii) warehousing and related value-added services.

Total revenue of the Group increased by approximately 9.3% from approximately HK\$193.0 million for the year ended 31 March 2019 (the "**Previous Year**") to approximately HK\$211.0 million for the Year. The revenue of the Group remained relatively stable.

Revenue generated from air freight forwarding and related logistics services for the Year amounted to approximately HK\$169.5 million (Previous Year: approximately HK\$152.2 million), accounting for approximately 80.3% of the Group's total revenue (Previous Year: approximately 78.9%). The revenue from this segment remained as the major source of the revenue of the Group. The Taipei branch and the two new subsidiaries in Hong Kong commenced operations in the Year to provide new lines of freight forwarding and related logistics services to existing and new customers, which focus on, but are not limited to, online retail markets respectively in the USA and Southeast Asia, which contributed to the increase in the revenue from air freight forwarding and related logistics services.

Revenue generated from sea freight forwarding and related logistics services for the Year amounted to approximately HK\$8.4 million (Previous Year: approximately HK\$16.0 million), accounting for approximately 4.0% of the Group's total revenue (Previous Year: approximately 8.3%). Most of the Group's customers from this segment are direct shippers. The revenue from sea freight forwarding and related logistics services during the Year decreased significantly, which was caused by (i) fewer sales orders from one customer in Taiwan and (ii) the change in the business operation of one customer in the PRC, such that it did not require the Group's services during the Year.

To maintain the Group's revenue in the long run, the Group has been exploring new business opportunities, such as river sand shipment (the delivery of river sand for its customer from overseas to the PRC and Hong Kong) and inland river cargo. However, due to the Pandemic, many countries have imposed stricter border controls, which caused delays in the scheduled shipments and development of these new businesses in the respective countries.

Revenue generated from warehousing and related value-added services for the Year amounted to approximately HK\$33.1 million (Previous Year: approximately HK\$24.8 million), accounting for approximately 15.7% of the Group's total revenue (Previous Year: approximately 12.8%). The increase in the percentage of revenue generated from this sector was mainly due to the commencement of security screening services during the Year, which added a new stream of revenue and boosted up the revenue that the Group obtained from palletisation services as well.

Cost of services and gross profit

The Group's cost of services increased by approximately 17.0% from approximately HK\$166.2 million for the Previous Year to approximately HK\$194.4 million for the Year. This increase was mainly attributable to (i) higher subcontracting charges incurred for warehousing and related value-added services and (ii) increase in the acquisition costs of air and sea cargo spaces.

The Group's gross profit decreased by approximately 38.1% from approximately HK\$26.8 million for the Previous Year to approximately HK\$16.6 million for the Year. Gross profit margin decreased from approximately 13.9% for the Previous Year to approximately 7.9% for the Year. Such decreases were mainly due to the decreases in gross profit and gross profit margin of air freight forwarding and related logistics services and warehousing and related value-added services. The gross profit margin of warehousing and related value-added services decreased during the Year mainly because (i) the increase in the rates charged for transportation and palletisation; (ii) the increase in depreciation charge in connection to additional warehouse information system, leasehold improvement and machineries; and (iii) increase in material cost. As for air freight forwarding and related logistics services, the main reason for the decrease in gross profit margins was (i) the increase in the costs of services for cargo routes to North America and Europe; and (ii) lower gross profit margin obtained through charter flight services and block space arrangement with another local freight forwarder.

Other income

Other income included bank interest income from fixed deposits and other interest income from refundable rental deposits.

Upon adoption of Hong Kong Financial Reporting Standard 16 Leases (“**HKFRS 16**”) on 1 April 2019, the refundable rental deposits were adjusted to amortised cost and an additional other interest income of approximately HK\$66,000 (Previous Year: nil) was recognised during the Year.

Other gains and losses

Other gains and losses included foreign exchange gain (loss) and gain (loss) on disposals/write-offs of property, plant and equipment. The Group recorded a decrease in other gains and losses during the Year, which was mainly attributable to the decrease in loss on disposed of/write-offs of property, plant and equipment. The Group incurred approximately HK\$0.6 million losses in Previous Year but obtained a gain on disposal of property, plant and equipment of approximately HK\$38,000 during the Year. As to foreign exchange, the Group recorded an exchange loss of approximately HK\$99,000 during the Year (Previous Year: an exchange gain of approximately HK\$116,000). The Group suffered loss from a deprecation in Renminbi (“RMB”) to Hong Kong Dollars (“HKD”).

Other expenses

Other expenses represented professional fee paid and provision for compensation during the Year.

Marketing expenses

Marketing expenses mainly included cost of business development and soliciting new customers.

The marketing expenses increased slightly as the Taipei branch began operation during the Year, such that extra costs were incurred in promoting the business in Taiwan.

Administrative expenses

The Group’s administrative expenses increased to approximately HK\$32.4 million for the Year from approximately HK\$27.2 million for the Previous Year. Such expenses mainly included staff costs and benefits, audit fee, legal and professional fee, depreciation, utilities and other expenses. The increase was mainly due to the combined effect of (i) increase in legal and compliance costs, professional fee and printing charges of approximately HK\$3.5 million incurred after the listing (the “**Listing**”) of the shares of the Company on GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); and (ii) increase in staff costs from approximately HK\$15.7 million for the Previous Year to approximately HK\$16.7 million for the Year, which was caused by raises in basic salaries and additional headcounts, particularly for the Group’s new subsidiary in Shenzhen and new branch in Taipei, both of which were established after the Previous Year.

Listing expenses

The shares of the Company were listed on GEM on 5 September 2018 and all listing expenses had been recognised before the Year. As such, there were no listing expenses incurred during the Year (Previous Year: HK\$9.5 million).

Impairment losses recognised on trade receivables under expected credit loss model, net of reversed

Under the Hong Kong Financial Reporting Standard 9 “Financial Instruments”, the management assesses the measurement of expected credit losses (“ECL”) in relation to trade receivables which are assessed individually or collective basis to calculate ECL. During the Previous Year, an impairment loss of approximately HK\$0.9 million was recognised to reflect an increase in individual impairment allowance as a result of non-performing asset during the Previous Year. During the Year, a reversal of an amount of HK\$0.3 million (Previous Year: HK\$0.3 million) was recognised while additional HK\$0.6 million (Previous Year: HK\$0.3 million) was further provided from new financial assets originated.

Finance costs

Finance costs for the Year represented interest expenses on leases liabilities. Finance costs increased from HK\$158,000 for the Previous Year to HK\$559,000 for the Year. Upon adoption of HKFRS 16 on 1 April 2019, the lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liabilities are adjusted for interest and lease payments. As a result, an interest expense on lease liabilities of approximately HK\$559,000 was recognised for the Year.

Income tax credit (expense)

The Group’s income tax credit (expense) primarily included provisions for profits tax and deferred income tax expense. As a loss before taxation of approximately HK\$24.4 million for the Year was recorded, an income tax credit of approximately HK\$1.5 million was recorded for the Year (Previous Year: income tax expense of approximately HK\$0.5 million) as there was deferred tax impact on the property, plant and equipment, the provision for bad debts and unused tax losses.

Loss for the year

The Group recorded a loss before taxation of approximately HK\$24.4 million for the Year, compared to a loss before taxation of approximately HK\$15.5 million for the Previous Year. The change in loss was mainly due to the effects of (i) increase in warehousing services related costs, including subcontracting charges such as palletisation and trucking services, and depreciation of approximately HK\$6.5 million (excluding the right-of-use assets depreciation charge recognised during the Year); (ii) increase in after listing legal and compliance costs, professional fees and printing charges of approximately HK\$3.5 million; (iii) increase in the acquisition costs of air and sea cargo spaces of approximately HK\$20.7 million; (iv) other expenses of approximately HK\$3.6 million and (v) the decrease in listing expenses of approximately HK\$9.5 million.

Trade and other receivables

Trade receivables (net of allowance for credit losses) increased by 61.5% from approximately HK\$27.5 million at 31 March 2019 to approximately HK\$44.4 million at 31 March 2020. Such increase was primarily attributable to (i) approximately HK\$10.0 million and approximately HK\$0.5 million trade receivables attributable by the Taipei branch and Shenzhen subsidiary; (ii) a subsidiary in Hong Kong which has its first year of full operation during the Year contributed approximately HK\$2.3 million increment in trade receivables, and (iii) additional revenue of approximately HK\$5.0 million recorded in March 2020 when compared to the corresponding month in the Previous Year.

Prepayment, deposits and other receivables decreased at 31 March 2020 as the Group was refunded HK\$1.5 million from a supplier for the acquisition of air cargo spaces.

Trade payables and other payables

Trade payables increased by 66.0% from approximately HK\$16.2 million at 31 March 2019 to approximately HK\$26.9 million at 31 March 2020. The increase was mainly due to (i) approximately HK\$3.6 million and approximately HK\$1.6 million trade payables attributable respectively by the Taipei branch and subsidiary in Hong Kong which has its first year of full operation during the Year; and (ii) increase in cost of services of approximately HK\$5.0 million in March 2020 when compared to the corresponding month in the Previous Year.

Other payables and accrued expenses decreased by approximately 35.1% from approximately HK\$3.7 million at 31 March 2019 to approximately HK\$2.4 million at 31 March 2020. The decrease was mainly due to the settlement of accrued expenses for compliance during the Year.

DIVIDEND

The Directors do not recommend the payment of dividend for the Year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group funded the liquidity and capital requirements for the Year primarily through internal resources.

At 31 March 2020, the Group cash and cash equivalents of approximately HK\$15.9 million (at 31 March 2019: approximately HK\$43.6 million) and time deposits over three months of approximately HK\$2.8 million (at 31 March 2019: approximately HK\$2.5 million), most of which were either denominated in Hong Kong dollars, United States dollars (“USD”) or RMB.

The Group had leases of approximately HK\$10.6 million at 31 March 2020 (at 31 March 2019: approximately HK\$0.3 million).

Gearing ratio is the current debt (including bank borrowings and leases) divided by total equity and multiplied by 100% at the year-end date. The gearing ratio of the Group at 31 March 2020 was approximately 13.8% (at 31 March 2019: approximately 0.5%). As a result of the adoption of HKFRS 16, the gearing ratio of the Group increased during the Year.

During the Year, the Group did not employ any financial instrument for hedging purpose.

The Directors are of the view that, at the date of this announcement, the Group's financial resources are sufficient to support its business and operations.

CHARGE ON ASSETS

At 31 March 2020, bank deposits of approximately HK\$2.8 million (at 31 March 2019: approximately HK\$2.5 million) was pledged to secure the guarantee facilities obtained by the Group. Save as disclosed, the Group did not have any charges on its assets.

FOREIGN EXCHANGE EXPOSURE

During the Year, the Group received payments from the Group's customers in foreign currencies, such as USD, Euro (“**EUR**”) and RMB, and also settled some of its cost and expenses with suppliers in foreign currencies, such as in USD, EUR, RMB and Japanese Yen (“**JPY**”). The Group is exposed to certain foreign exchange risks in respect of depreciation or appreciation amongst those currencies. The Group's operating activities are mainly denominated in Hong Kong dollars and the Group is exposed to foreign exchange risks primarily arising from provisions of services to customers and payments of cost of services to suppliers whose operating activities are denominated in foreign currencies. Although the Group does not maintain any specific hedging policy or foreign currency forward contracts, the Group's management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should it become necessary.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

At 31 March 2020, the Group had no outstanding capital commitments (at 31 March 2019: approximately HK\$5.2 million) for the acquisition of property, plant and equipment. Save for the plans disclosed in the prospectus for the Listing (the “**Prospectus**”), the Company’s announcement(s) or this announcement, the Group did not have any future plans for material investments or capital assets at 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposal of subsidiary by the Group during the Year.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the Year.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities both at 31 March 2019 and at 31 March 2020.

OUTLOOK AND PROSPECTS

The Pandemic, the Trade War and the on-going protests and demonstrations in Hong Kong have brought uncertainties to the business environment in 2020. The Group believes that the unpredictable economic volatility may persist in the near term and the Group will be confronted with several key challenges ahead, such as continuous sluggish demand due to weak consumer sentiment and inactive business investment, intense international competition resulting from currency fluctuations, as well as other potential trade wars amongst countries. The disruptions from the Pandemic battered the freight forwarding industry heavily. Thousands of flights have already been cancelled by the international airlines across the region resulting in shippers having fewer options for moving goods across the region. Due to the curtailment in flights and the resumption of production in the PRC, there is huge demand for air cargo spaces. The demand exceeds the supply for air cargo spaces and the Group has difficulty in securing air cargo spaces for its customers at competitive price. To cope with these uncertainties, the Group will work diligently and implement a two-pronged approach – (i) tightening cost control and (ii) upholding its services quality and expanding the scope of services. The Group keeps close eyes on the reaction from airlines such as converting passenger planes as freight-only aircraft, with main cabins empty and cargo holds filled with shipments. The Directors believe that this approach would solve part of the supply issue for our air cargo shipments. Together with the contribution from the newly set up subsidiary in the PRC and the newly set up branch in Taipei, the Group is confident that it will maintain its position in the market and be resilient to challenges and changes in the market.

Riding on the new regulations in security screening for air cargo, the Group has been able to expand its services to new customers and existing customers in connection to the screening services. This by return will bring in additional revenue to the Group in the in connection to the screening services next year.

EMPLOYMENT AND REMUNERATION POLICY

At 31 March 2020, the Group employed 47 staff in Hong Kong, 7 staff in the PRC and 7 staff in Taiwan (at 31 March 2019: 45 staff in Hong Kong only).

For the Year, the Group's total cost for employee compensation and benefits (including Director's emoluments) was approximately HK\$21.1 million (Previous Year: approximately HK\$19.9 million). Remuneration is determined with reference to market terms, industrial norms and the performance, qualifications and experience of the employees.

Apart from basic remuneration, share options may be granted by the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. As disclosed in the Prospectus, the Company adopted a share option scheme (the "**Share Option Scheme**") to incentivize and retain staff members who have contributed to the development and success of the Group. The Directors believe that the compensation packages offered by the Group to its employees are competitive in comparison with market standard and practices.

During the Year, the Group's employees attended trainings in relation to air cargo safety, language, listing rules, tax and accounting.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has in all material respects complied with all relevant laws, rules and regulations that have a significant impact on the Group and its operations.

USE OF PROCEEDS FROM SHARE OFFER

The Shares of the Company were successfully listed on GEM of the Stock Exchange on 5 September 2018. The total net proceeds (the "**Net Proceeds**") from the Listing amounted to approximately HK\$40.0 million. On 23 August 2019, the Board resolved to change the use of the Net Proceeds in connection to developing the Group's own trucking fleet to general working capital (the "**Change in Use of Proceeds**"). Details of the Change in Use of Proceeds are set out in the Company's announcements dated 23 August 2019 and 3 October 2019 (collectively the "**UOP Announcements**"). On 27 May 2020, the Board further resolved to change the Net Proceeds in connection to further expanding the warehouse in Hong Kong. Details are set out in the section headed "Event After the Year Ended 31 March 2020".

Details of the application of the Net Proceeds from the Listing till 31 March 2020 are as set out below:

| Use of the Net Proceeds | Amount of the Net Proceeds adjusted in the manner as stated in the Prospectus prior to the Change in Use of Proceeds <i>HK\$'000</i> | The Change in Use of Proceeds according to the UOP Announcements <i>HK\$'000</i> | Use of Net Proceeds subsequent to the Change in Use of Proceeds <i>HK\$'000</i> | Amount of the Net Proceeds utilised from the Listing Date to 31 March 2020 <i>HK\$'000</i> | Amount not yet utilised at 31 March 2020 <i>HK\$'000</i> | Actual business progress up to 31 March 2020 |
|---|---|---|--|---|---|--|
| Further expanding the warehouses in Hong Kong | 13,511 | – | 13,511 | – | 13,511 | The Group already engaged agent and has inquired the existing landlord about the availability of vacant warehouse but has not yet identified suitable premise for the warehouse facilities. |
| Attracting and retaining talented and experienced personnel | 14,727 | (8,573) | 6,154 | 1,918 | 4,236 | The Group already recruited two sales staff, acquired medical insurance and provided training to the staff. The Group resolved not to employ truck drivers as a result of developing its own trucking fleet. |
| Developing the trucking fleet | 8,075 | (8,075) | – | – | – | The Group resolved not to implement the plan of developing its own trucking fleet. |

| Use of the Net Proceeds | Amount of the Net Proceeds adjusted in the manner as stated in the Prospectus prior to the Change in Use of Proceeds <i>HK\$'000</i> | The Change in Use of Proceeds according to the UOP Announcements <i>HK\$'000</i> | Use of Net Proceeds subsequent to the Change in Use of Proceeds <i>HK\$'000</i> | Amount of the Net Proceeds utilised from the Listing Date to 31 March 2020 <i>HK\$'000</i> | Amount not yet utilised at 31 March 2020 <i>HK\$'000</i> | Actual business progress up to 31 March 2020 |
|--|---|---|--|---|---|---|
| Further enhancing the information technology systems | 2,442 | (542) | 1,900 | 1,900 | – | The Group already finished upgrading the warehouse management system, installing new server and strengthening firewall and personal computers. As the Group resolved not to develop its own trucking fleet, it would not be necessary to develop and install the corresponding Global Positioning System. |
| Working capital | 1,258 | 17,190 | 18,448 | 18,448 | – | The Group already fully applied the amount in financing the cost of services and the daily operation of the Group, in particular in air freight forwarding and related logistics business. |
| | <u>40,013</u> | | <u>40,013</u> | <u>22,266</u> | <u>17,747</u> | |

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving good corporate governance practices and procedures. The Directors believe that good corporate governance practices are essential to enhance stakeholders' confidence and support. Throughout the Year, the Company complied with the code provisions prescribed in the establishment and implementation of the corporate governance guidelines containing principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the “**Required Standard of Dealings**”).

Following specific enquiries to all of the Directors, each Director has confirmed that he complied with the Required Standard of Dealings throughout the Year.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme on 14 August 2018. The purpose of the Share Option Scheme is to recognise the contribution of, and to provide an incentive to, key staff of the Group who have contributed or will contribute to the Group in order to motivate and retain them for the operation and development of the Group. Further details of the Share Option Scheme are disclosed in the section headed “Statutory and General Information – D Share Option Scheme” in Appendix IV of the Prospectus.

Up to the date of this announcement, no share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme at 31 March 2020 and at the date of this announcement.

INTERESTS OF COMPLIANCE ADVISER

The Company appointed Glory Sun Securities Limited (“**Glory Sun**”) as the compliance adviser of the Company on 30 May 2019.

As notified by Glory Sun, at 31 March 2020, save for the compliance adviser agreement entered into between the Company and Glory Sun dated 30 May 2019, none of Glory Sun or its directors, employees or close associates (as defined in the GEM Listing Rules) has had any interest in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CHANGE IN DIRECTORS’ INFORMATION

Mr. Lo Wing Sang, a non-executive Director, has been the company secretary, authorized representative and financial controller of Century Group International Holdings Limited (stock code: 2113) since 1 October 2019. He was further appointed as the executive director, company secretary and authorised representative of China Trustful Group Limited (stock code: 8265) on 20 May 2020.

EVENTS AFTER THE YEAR ENDED 31 MARCH 2020

On 27 May 2020, the Board resolved to change the use of the Net Proceeds in connection to further expanding the warehouse in Hong Kong (the “**Expansion**”). The Group has changed the application of the Net Proceeds of approximately HK\$13.5 million for the Expansion to settling deposits, utilities and services fee for warehousing and related services, leasing forklift trucks and purchasing burglary, flood and fire insurance, installing anti-theft system and conducting renovation work. Details of the change are set out the Company’s announcement dated 27 May 2020.

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

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with specific written terms of reference formulated in accordance with the requirements of Rules 5.28 to 5.29 of the GEM Listing Rules and the CG Code. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Ng Kam Tsun, Dr. Wu Ka Chee Davy and Mr. Chow Ming Po Aaron. Mr. Ng Kam Tsun is the chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal; (ii) monitoring the integrity of the Company’s financial statements and reviewing the annual reports and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them; and (iii) reviewing the financial reporting, financial controls, risk management and internal control systems of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the Year.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (“**AGM**”) of the Company will be held on Friday, 21 August 2020. The transfer books and register of members of the Company will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificate(s) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 August 2020.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The 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 the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By order of the Board
Wan Leader International Limited
Loy Hak Yu Thomas
Chairman and Executive Director

Hong Kong, 29 June 2020

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Loy Hak Yu Thomas, Mr. Loy Hak Moon, one non-executive Director, namely, Mr. Lo Wing Sang; and three independent non-executive Directors, namely, Mr. Ng Kam Tsun, Dr. Wu Ka Chee Davy and Mr. Chow Ming Po Aaron.

This announcement will remain on the GEM website of the Stock Exchange at www.hkgem.com and the Stock Exchange's website at www.hkexnews.hk for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.wanleader.com.