

Asia-express Logistics Holdings Limited 亞洲速運物流控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8620



ANNUAL REPORT 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

*This annual report, for which the directors (collectively the “**Directors**” or individually a “**Director**”) of Asia-express Logistics Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**We**”, “**our**” or “**us**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this annual report 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 annual report misleading.*

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

Contents

Corporate Information	3
Chairman's Statement	5
Management Discussion and Analysis	6
Directors and Senior Management	13
Corporate Governance Report	20
Report of the Directors	32
Independent Auditor's Report	47
Consolidated Statement of Profit or Loss and Other Comprehensive Income	52
Consolidated Statement of Financial Position	53
Consolidated Statement of Changes in Equity	55
Consolidated Statement of Cash Flows	56
Notes to the Consolidated Financial Statements	58
Four Years' Financial Summary	124

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Le Bon (*Chairman*)
Mr. Chan Yu (*Chief executive officer*)

Non-executive Director

Mr. Choy Wing Hang, William

Independent Non-executive Directors

Mr. Fu Lui
Mr. Chan Chi Ho
Ms. Chui Sin Heng

COMPANY SECRETARY

Mr. Yip Chun Ming, Alex, *CPA*

COMPLIANCE OFFICER

Mr. Chan Yu

AUTHORISED REPRESENTATIVES

Mr. Chan Yu
Mr. Yip Chun Ming, Alex

BOARD COMMITTEES

Audit Committee

Mr. Fu Lui (*Chairman*)
Mr. Chan Chi Ho
Ms. Chui Sin Heng

Remuneration Committee

Mr. Chan Chi Ho (*Chairman*)
Mr. Fu Lui
Ms. Chui Sin Heng

Nomination Committee

Ms. Chui Sin Heng (*Chairman*)
Mr. Chan Chi Ho
Mr. Fu Lui

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1613–1615, Level 16
Tower 1 Metroplaza
223 Hing Fong Road
Kwai Fong
Hong Kong

HONG KONG LEGAL ADVISER

Holman Fenwick Willan
15/F, Tower I, Lippo Centre
89 Queensway
Admiralty
Hong Kong

COMPLIANCE ADVISER

South China Capital Limited
28/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Corporate Information (Continued)

AUDITOR

Moore Stephens CPA Limited
Registered Public Interest Entity Auditors
(Appointed on 10 June 2020)

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
(Resigned on 12 May 2020)

COMPANY'S WEBSITE

www.asia-expresslogs.com

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation
Limited
21/F, Crocodile Centre
79 Hoi Yuen Road
Kwun Tong
Kowloon

United Overseas Bank
Suite 2110–2113 Tower 6
The Gateway
Harbour City
Tsim Sha Tsui
Kowloon

STOCK CODE

8620

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to announce the Group's annual results for the year ended 31 March 2020 following the Company's successful listing on GEM of the Stock Exchange (the "**Listing**") on 20 April 2020 (the "**Listing Date**").

In 2019, the Group experienced a year of challenges. The global market was influenced by uncertain political and economic events, such as trade war between China and the United States and political events in Hong Kong. Also, the outbreak of coronavirus pandemic ("**COVID-19**") placed a serious unexpected threat to the global economy.

In order to cope with keen competition and economic uncertainties, the Group has tried to diversify its business and expand its customer base. In October 2019, we have commenced operation of an air freight container freight station warehouse (the "**Air Freight CFS Warehouse**") in Kwai Chung to develop it as a regulated air cargo screening facility which complies with all the licensing and qualification requirements of the Civil Aviation Department in Hong Kong. In 2020, we expect strong demand for x-ray screening services from our existing customer network and intend to strengthen our warehousing and other value added services by offering our customers with cargos-screening services.

FORWARD PROSPECT

Since January 2020, the outbreak of COVID-19 has an impact on the global business environment. Up to the date of this annual report, COVID-19 has some degree of impact on the operation and financial position of the Group in the short term, we consider that such event would not resulted in a material adverse impact to the sustainability of the Group. Pending on the development of COVID-19 subsequent to the date of this annual report, further changes in economic conditions may have an impact on the future financial results of the Group. We will closely monitor the situation of COVID-19 and react actively to its impact on the financial position and operating results of the Group. Looking forward, we will continue to expand our core business for logistics services, and we target to develop business relationships with some large scale and well-known customers.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our shareholders, business partners and customers for their great and continuous support, and I also wish to express my appreciation to all employees of the Group for their hard work and contributions over the years. We will strive to achieve a better future through our joint efforts.

Chan Le Bon

Chairman

Hong Kong, 29 June 2020

Management Discussion and Analysis

BUSINESS REVIEW

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

FINANCIAL REVIEW

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

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

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

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

- (i) decrease in revenue generated from air cargo terminal operation services by approximately HK\$17.8 million or 9.4% to approximately HK\$170.9 million for the year ended 31 March 2020 as compared to that of approximately HK\$188.7 million for the year ended 31 March 2019. Such decrease was mainly derived from the decrease in the cargo volume for Top Global Express Carrier whereby our Group is its sole transportation service provider; and

Management Discussion and Analysis (Continued)

- (ii) decrease in the revenue generated from transportation services by approximately HK\$22.9 million or 17.0% to approximately HK\$112.2 million for the year ended 31 March 2020 as compared to that of approximately HK\$135.1 million for the year ended 31 March 2019. Such decrease was mainly contributed by the decrease in revenue from German-based Express Carrier as we decided not to renew the service agreement with it upon its expiry in February 2019 having considered the relatively less profitability for such orders.

Other income

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

Other gains and losses

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

Employee benefits expenses

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

Dispatch labour costs

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

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

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

Management Discussion and Analysis (Continued)

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

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

Transportation costs

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

Other expenses

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

Finance costs

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

Income tax expenses

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

Loss for the year

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

Management Discussion and Analysis (Continued)

Trade receivables and trade payables turnover cycle

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

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

Borrowings

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

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

Pledge of assets

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

EMPLOYEES AND REMUNERATION POLICIES

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Management Discussion and Analysis (Continued)

COMMITMENT

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

CAPITAL STRUCTURE

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

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in note 5 to the consolidated financial statements.

CONTINGENT LIABILITIES

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

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

Having considered, among other things, the opinion from the external legal adviser representing the Group in such claim, the directors of the Company consider that it is remote for claim and, therefore, no provision is made at the end of the reporting period.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSAL

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

Management Discussion and Analysis (Continued)

USE OF PROCEEDS FROM THE LISTING

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

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

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

DIVIDEND

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

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As the Group's revenue generating operations are mainly transacted in HK\$ and RMB, the Directors consider the impact of foreign exchange exposure to the Group is minimal. The management will consider hedging significant currency exposure should the need arise.

Management Discussion and Analysis (Continued)

EVENT AFTER THE REPORTING PERIOD

The outbreak of COVID-19

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

Other subsequent events

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

On 17 April 2020, in connection with the Listing, the Company issued 120,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.5 per share by way of public offer. On 20 April 2020, the shares of the Company were listed on the GEM.

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

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Le Bon (陳烈邦), aged 31, is our Controlling Shareholder, chairman of our Board and executive Director. He joined our Group in April 2014 as an assistant director, during which he was mainly responsible for overseeing our business operations. Since June 2017, Mr. Chan Le Bon was appointed as a director of Kwai Bon (HK). He is mainly responsible for the overall management, business development and strategic planning of our Group.

Mr. Chan Le Bon obtained a bachelor's degree in multimedia from the Swinburne University of Technology in Australia in December 2013.

Mr. Chan Yu (陳宇), aged 39, is our Controlling Shareholder, chief executive officer and executive Director. He joined our Group in May 2006 and is primarily responsible for the overall day-to-day management, business development and administration of our Group.

He is also a director of Kwai Bon (HK), Kwai Bon (Guangzhou), Kwai Bon (Shenzhen) and Kwai Bon (Shanghai), being our operating subsidiaries.

Mr. Chan Yu has over 13 years of experience in the air cargo ground handling industry. He worked as a finance and administration manager in our Group in May 2006 and became a finance and administration controller in our Group in April 2010, during which he was mainly responsible for evaluating and monitoring different logistics projects, engaging in business development as well as investment management of our Group. In addition, since 2013, Mr. Chan has been the key person acting in the capacity as an acting chief executive officer of the Group, responsible for making major planning and decisions in respect of Kwai Bon (HK), the Group's headquarters, and giving and channeling directions and instructions on behalf of Kwai Bon (HK) to relevant local management and staff of our PRC subsidiaries with respect to their day-to-day business operations. He has been formally appointed as a chief executive officer of the Group in May 2018.

Mr. Chan Yu was also a director of Guangdong Yijin Transportation Co., Ltd* (廣東益津運輸有限公司) ("Guangdong Yijin"), a company which principally holds vehicle licences for its customer(s) to provide cross-border transportation services, from August 2017 to September 2018.

Directors and Senior Management (Continued)

Mr. Chan Yu was previously a supervisor of the following company shown in the table below since February 2018 which was incorporated in the PRC and was dissolved by deregistration. It is confirmed by Mr. Chan Yu that the following deregistration was made voluntarily by way of submitting applications to the relevant authorities in the PRC because such company had ceased to carry on business or operation since February 2018 and was dormant for more than three months immediately before the relevant application. The relevant details of the deregistered company are as follows:

Company name:	Place of establishment	Principal business activities prior to dissolution	Date of dissolution	Details
Guangzhou Kuying Logistics Co., Ltd. (廣州市庫盈物流有限公司) ("Guangzhou Kuying")	PRC	Warehousing, general freight forwarding and transportation	16 July 2019	It was deregistered due to cessation of business.

Mr. Chan Yu confirmed that there is no wrongful act on his part leading to the dissolution of the above company and he is not aware of any actual or potential claim that has been made or will be made against him as a result of the dissolution of the above company. The above dissolved company is not related to our Group and hence, the dissolution did not affect our Group and/or the Listing.

Mr. Chan Yu obtained a bachelor's degree in business administration (major in finance) from the Chinese University of Hong Kong in December 2002.

NON-EXECUTIVE DIRECTOR

Mr. Choy Wing Hang, William (蔡穎恒), aged 42, is our non-executive Director. He joined our Group in March 2018 and is primarily responsible for the overall supervision of our Board and strategic planning of our Group. Mr. Choy has over 15 years of experience in the investment field. He joined C-Bons Holding (International) Limited and its subsidiaries (collectively, "C-Bons Group") in April 2004, which is principally engaged in the manufacturing and trading of sanitary products, property development and resort and tourism development, and he is currently the chief investment officer and managing director of C-Bons Group in Hong Kong and the vice-president of C-Bons Group in the PRC. He is primarily responsible for the overall investment business and strategic development of C-Bons Group. Mr. Choy was also a director of other companies listed on the Stock Exchange as set out below:

Company name	Principal business during tenure	Position	Period of service
Cool Link (Holdings) Limited (stock code: 8491)	A Singapore-based importer of food products	Independent non-executive director	September 2017 to February 2019
Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited) (stock code: 1573)	A producer of anthracite coal based in Guizhou Province, the PRC	Independent non-executive director	June 2016 to August 2019

Directors and Senior Management (Continued)

Mr. Choy was previously a director of the following companies shown in the table below which were incorporated in Hong Kong or the PRC and dissolved by deregistration. It is confirmed by Mr. Choy that all the following deregistrations were made voluntarily by way of submitting applications to the companies registry of Hong Kong or the relevant authorities in the PRC because these companies had ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Company name	Place of incorporation or establishment	Principal business activities prior to dissolution	Date of dissolution	Details
C-Bons Properties Development Limited	Hong Kong	Investment holding	17 November 2017	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.
Foshan Nanhai Hengde Shengjia Trade Co., Ltd (佛山市南海恒德勝嘉貿易有限公司)	PRC	Wholesale of machinery and electronic products	12 June 2018	It was deregistered due to cessation of business.
Win Ever Holding Limited	Hong Kong	Investment holding	1 February 2019	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.
Win Shing Holding Limited	Hong Kong	Investment holding	1 February 2019	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.
C-Bon Pharmaceuticals (International) Limited	Hong Kong	Manufacture, import and export of pharmaceuticals	5 July 2019	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.

Mr. Choy confirmed that there is no wrongful act on his part leading to the dissolutions of the companies above and he is not aware of any actual or potential claim that has been made or will be made against him as a result of the dissolutions of such companies. None of the abovementioned dissolved companies are related to our Group.

Mr. Choy obtained a bachelor of arts degree from the University of British Columbia in Canada in May 2002, and a doctor of business administration degree from the California University of Management (USA) in March 2008.

Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fu Lui (府磊), aged 40, was appointed as an independent non-executive Director on 23 March 2020. He is also the chairman of our audit committee and a member of each of our remuneration committee and nomination committee.

Mr. Fu Lui has over 15 years of experience in accounting and financial management. From September 2002 to September 2006, he served as an accountant in the audit department at Deloitte Touche Tohmatsu, where he was mainly responsible for accounting matters. From September 2006 to June 2010, he worked as the finance manager of CSPC Pharmaceutical Group Limited (formerly known as China Pharmaceutical Group Limited) (stock code: 1093), which is engaged in the development, manufacture, marketing and sales of medicines and pharmaceutical related products in the PRC. He was mainly responsible for the financial reporting, reviewing the internal control system and handling compliance matters of the company. Since July 2010, he has been the financial controller and company secretary of China Uptown Group Company Limited (stock code: 2330), which is engaged in (i) property development; and (ii) trading of raw sugar, where he was mainly responsible for financial and company secretarial matters.

Mr. Fu is also a director of the other companies listed on the Stock Exchange as set out below:

Company name	Principal business during tenure	Position	Period of service
Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited) (stock code: 1573)	A producer of anthracite coal based in Guizhou Province, the PRC	Independent non-executive director	June 2016 to August 2019
CSmall Group Limited (stock code: 1815)	An integrated online and offline internet-based jewellery retailer in the PRC	Independent non-executive director	February 2018 to present

Mr. Fu Lui obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 2002 and a master of business administration from The Chinese University of Hong Kong in December 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since July 2007 and advanced to a fellow since May 2016. He has also been a member of the Association of Chartered Certified Accountants since August 2006 and advanced to a fellow since August 2011.

Mr. Chan Chi Ho (陳志豪), aged 44, was appointed as an independent non-executive Director on 23 March 2020. He is also the chairman of our remuneration committee and a member of each of our audit committee and nomination committee.

Directors and Senior Management (Continued)

Mr. Chan has over 10 years of experience in the industry of planning, design and project management of infrastructure facilities. In July 1998, he worked as a project engineer at Maunsell AECOM, being mainly responsible for different construction and infrastructure projects. In March 2006, Mr. Chan worked as a project director and became the managing director of EDM Construction Ltd., being mainly responsible for the management and coordination of the fitting out works for different residential, commercial and institutional construction projects.

Since July 2010, Mr. Chan has been appointed as an independent non-executive director of HMV Digital China Group Limited, a company listed on the Stock Exchange (stock code: 8078), which is engaged in businesses of movie production, movie distribution, cinema operations, artiste management and retail stores.

Mr. Chan obtained a bachelor's degree in engineering from the University of Hong Kong in December 1998. He has been a member of the Hong Kong Institution of Engineers since March 2003.

Mr. Chan was the director of the following companies which were incorporated in Hong Kong and dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance. It is confirmed by Mr. Chan that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies had ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Name of company	Principal business activities prior to dissolution	Date of dissolution
EDM Engineering Limited	Builder works and contracting works	19 March 2010
Juicy Juicz Limited	Juice bar and cafe	10 February 2012

Mr. Chan was also a director of the following company which was incorporated in Hong Kong and was voluntarily wound-up pursuant to section 233(4) of the Predecessor Companies Ordinance. The relevant details are as follows:

Name of company	Principal of business activities prior to voluntary winding up	Date of voluntary winding up
Hong Kong Public Art Research Foundation Limited	Public art consultancy works	29 January 2009

Mr. Chan confirmed that there is no wrongful act on his part leading to the dissolutions and/or the commencement of the voluntary winding up process of the companies above and he is not aware of any actual or potential claim that has been made or will be made against him as a result of the dissolutions and/or voluntary winding up of such companies. None of the abovementioned dissolved and/or voluntarily wound-up companies are related to our Group and hence the dissolutions and/or voluntary winding up did not affect our Group and/or the Listing.

Directors and Senior Management (Continued)

Ms. Chui Sin Heng (徐倩珩), aged 39, was appointed as an independent non-executive Director on 23 March 2020. She is also the chairman of our nomination committee and a member of each of our audit committee and remuneration committee.

Ms. Chui has over 15 years of experience in investing banking, finance and accounting. From September 2004 to February 2007, Ms. Chui worked with Westpac Banking Corporation, a company listed in the Australian Stock Exchange (stock code: WBC) as an accountant, mainly responsible for accounting matters. From March 2007 to November 2011, Ms. Chui worked with Piper Jaffray Asia Limited, a company previously operated by Piper Jaffray Companies which is an investment bank listed on the New York Stock Exchange (stock code: PJC) with her last position as an associate in investment banking, mainly responsible for handling corporate finance transactions. From April 2012 to July 2012, Ms. Chui worked as a senior manager, mainly responsible for corporate finance transactions in South West Capital Limited, a company that advises on corporate finance and deals in futures contracts and securities. From August 2012 to April 2014, Ms. Chui worked as an assistant vice president in the transaction execution group, mainly responsible for execution of business transactions as her last position in Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malaysia Banking Berhad, a company principally engaged in dealing in securities and advising on securities. From May 2014 to September 2015, Ms. Chui worked as the head of investor relations, mainly responsible for business development in Beijing Tong Ren Tang Chinese Medicine Co., Ltd (stock code: 3613), a company listed on the Stock Exchange and principally engaging in manufacturing and sale of Chinese medicine. From November 2015 to August 2016, Ms. Chui was a director of the investment banking division, mainly responsible for business management and development of CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. a company listed on the Stock Exchange (stock code 1988). Since August 2016, Ms. Chui has been a director in corporate finance and investor relations (being mainly responsible for strategic execution of corporate finance transactions and investor relations in Union Medical Healthcare Limited (stock code: 2138). Since February 2020, Ms. Chui has also been appointed as an independent non-executive director of MBV International Limited, a company principally engaged in sourcing, wholesaling, supplying and marketing imprintable apparel and gift products in Malaysia and Singapore.

Ms. Chui obtained a bachelor of commerce in accounting and international business and a master of commerce in international finance from The University of New South Wales in Australia in April 2002 and May 2003, respectively. Ms. Chui Sin Heng was admitted as a certified practicing accountant of CPA Australia in February 2007.

COMPANY SECRETARY

Mr. Yip Chun Ming, Alex (葉峻銘), aged 35, is the chief financial officer of the Group and the company secretary of the Company. He joined our Group as the company secretary in January 2018 and became the chief financial officer in May 2018. Mr. Yip is mainly responsible for overseeing the financial matters and the company secretarial affairs of our Group.

Mr. Yip has over 10 years of experience in the finance and accounting field. He was an accounting manager from January 2016 to July 2017 and a deputy finance manager from February 2015 to December 2015 (being mainly responsible for supervising and handling accounting and financial matters) at Janco Global Logistics Limited, a subsidiary of Janco Holdings Limited, a company listed on the Stock Exchange (stock code: 8035), which is principally engaged in freight forwarding and logistics one-stop services in Hong Kong. Mr. Yip also worked at Deloitte Touche Tohmatsu in Hong Kong with his last position as a senior associate (being mainly responsible for advising on financial management, corporate management and auditing) from September 2008 to October 2014.

Directors and Senior Management (Continued)

Mr. Yip obtained a bachelor of commerce in September 2006 and a master of commerce in April 2008 from the University of New South Wales in Australia. He has been qualified as a certified public accountant in Australia since February 2012 and a certified public accountant in Hong Kong since May 2015.

SENIOR MANAGEMENT

Mr. Ma Ka Wing (馬嘉榮), aged 45, was appointed as the senior manager of our Group in April 2018. He is primarily responsible for overseeing the daily operation and liaising with customers of our Group. Mr. Ma has over 18 years of experience in the air cargo ground handling industry in Hong Kong. In August 2001, Mr. Ma joined Kwai Bon (HK) as an air cargo ground handling operation staff and in June 2004, he was promoted to be an operation manager, during which he was primarily responsible for overseeing the air cargo ground handling arrangement. Mr. Ma has been appointed as a director of Kwai Bon (HK) since January 2016 and has also been appointed as a senior manager of our Group since April 2018, being mainly responsible for the overall daily operations and customers' liaison.

Mr. Ma completed his secondary education in 1992 at Hong Kong Rennie's Mill Middle School (香港調景嶺中學), which has been closed down since 1993.

Mr. Yeung Kam Sing (楊金城), aged 67, was appointed as the senior manager of our Group in August 2012. He is primarily responsible for overseeing daily business operations and training of employees of our Group. Mr. Yeung has over 25 years of experience in the logistics industry in Hong Kong. In August 2012, Mr. Yeung joined our Group as a senior manager, being mainly responsible for overseeing the day-to-day operations by providing supervision and trainings for our employees, and implementing internal policies of our Group. Prior to joining Kwai Bon (HK), Mr. Yeung worked as a sales and marketing manager (being mainly responsible for sales administration and liaising with customers and was promoted to the position of distribution division manager (being mainly responsible for overseeing the operations of warehouses) at Crown Pacific Ltd. from 1986 to 1992. From January 1993 to July 2008, he worked as an operation manager and a senior operation manager as his last position (being mainly responsible for overseeing the logistics arrangements with customers and implementing employees' training programme) at FedEx HK Ltd. From October 2008 to September 2011, he was an operations director (being mainly responsible for overseeing the overall daily operations) of Ming Kee Cargo Company Limited.

Mr. Yeung completed his secondary education in 1973 at Hong Kong Christian College (基教書院) which has now been closed down.

Ms. Chen Yuli (陳玉梨), aged 41, was appointed as the senior manager of our Group in July 2014. She is primarily responsible for overseeing business operations and logistics arrangements of our Group in both the PRC and Hong Kong and liaising with our customers. Ms. Chen has over 10 years of experience in the logistics industry in the PRC and Hong Kong. In June 2008, Ms. Chen joined Kwai Bon (Shenzhen) Transportation Limited as an operation staff and in February 2013, she was promoted to be an operation manager, during which she was primarily responsible for overseeing the logistics arrangements and services between Hong Kong and the PRC. Ms. Chen has been appointed as a senior manager of our Group since July 2014 being mainly responsible for the overall daily operations in the PRC and liaising with our customers.

Ms. Chen obtained a bachelor of public administration and computer studies in February 1999 from South China Normal University (華南師範大學) in the PRC.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). As the Company was not listed on GEM of the Stock Exchange as at 31 March 2020, related rules under the GEM Listing Rules concerning the Model Code that Directors shall observe did not apply to the Company for the year ended 31 March 2020.

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

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

Corporate Governance Report (Continued)

THE BOARD OF DIRECTORS

(i) Board Composition

The business and affairs of the Group is governed by the Board which has the responsibility of leading and monitoring the business and affairs of the Group. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's business and affairs. As at the date of this annual report, the Board comprises six Directors including two executive Directors, one non-executive Director and three independent non-executive Directors. The Board's composition during the Reporting Period and up to the date of this annual report is as follows:

Executive Directors

Mr. Chan Le Bon (*Chairman*)

Mr. Chan Yu (*Chief executive officer*)

Non-executive Director

Mr. Choy Wing Hang, William

Independent non-executive Directors

Mr. Fu Lui

Mr. Chan Chi Ho

Ms. Chui Sin Heng

Details of the current chairman and the other current Directors are set out in the section headed "Directors and Senior Management" of this annual report.

In compliance with rules 5.05(1), (2) and 5.05A of the GEM Listing Rules, during the Reporting Period, the Company has appointed at least three independent non-executive Directors representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers them to be independent in accordance with the various guidelines set out in rule 5.09 of the GEM Listing Rules.

With the various experience of both the executive Directors, non-executive Director and the independent non-executive Directors, the Board considers that the Directors have a balance of skills and experience for the business of the Group.

Save as disclosed in the section headed "Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

Corporate Governance Report (Continued)

(ii) Board Meetings

The Company had not been listed on the Stock Exchange during the year ended 31 March 2020, and was only listed on GEM of the Stock Exchange on 20 April 2020. During the year ended 31 March 2020, there were 2 board meetings held.

Prior notices convening the Board meeting were despatched to the Directors before the Board meetings setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved to enable the Directors to make informed decisions. The company secretary of the Company (the “**Company Secretary**”) had been responsible for ensuring the procedures of the Board meetings are observed and keeping minutes for the board meetings which were sent to the Directors for records and are open for inspection at any reasonable time by any Director on reasonable notice. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and could abstain from voting on the relevant resolution.

No general meeting was held during the year ended 31 March 2020. The following is the attendance record of the Directors at Board meetings and committee meetings during the year ended 31 March 2020:

(iii) Attendance Record

Name of Directors	Attendance at the Board Meetings	Attendance at the Audit Committee	Attendance at the Remuneration Committee	Attendance at the Nomination Committee
Executive Directors				
Mr. Chan Le Bon (<i>Chairman</i>)	2/2	N/A	N/A	N/A
Mr. Chan Yu (<i>Chief executive officer</i>)	2/2	N/A	N/A	N/A
Non-executive Director				
Mr. Choy Wing Hang, William	2/2	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Fu Lui	2/2	0/0	1/1	0/0
Mr. Chan Chi Ho	2/2	0/0	1/1	0/0
Ms. Chui Sin Heng	2/2	0/0	1/1	0/0

Corporate Governance Report (Continued)

(iv) Corporate Governance Functions

The Board is responsible for performing the corporate governance functions as set out in provision D.3.1 of the CG Code, such as developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board will hold meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings will be given to all the Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that the Directors are supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable them to discharge their duties.

Every Board member has full access to the advices and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

The Board and individual Director also have separate and independent access to the Company's senior management.

(v) Functions of the Board

The principal functions of the Board include:

- reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- approving major acquisitions or disposals, corporate or financial restructuring, issuance of the Shares and other equity or debt instruments, considering payment of dividends and other distribution to the Shareholders;
- assessing the risks facing the Group and reviewing and implementing appropriate measures to manage such risks;
- selecting and evaluating the performance and compensation of key management executives;
- approving nominations to the Board;

Corporate Governance Report (Continued)

- reviewing and endorsing the recommended framework of remuneration of the Directors and key management executives by the Remuneration Committee; and
- assuming overall responsibility for corporate governance.

According to provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Reporting Period, the management have provided to all the Directors with updates on the position and prospects of the Group, which are considered to be sufficient to allow them to have a balanced and understandable assessment of the Group's performance, position and prospects to serve the purpose required by provision C.1.2.

(vi) Terms of Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in accordance with the articles of association of the Company (the "**Articles**").

The non-executive Director has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date.

Under provision A.4.1 of the CG Code, the independent non-executive Directors should be appointed for a specific term subject to re-election. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from the Listing Date and subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in the Articles.

Article 84 of the Articles provides that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

(vii) Directors' Remuneration

The Remuneration Committee (as defined below) makes recommendations to the Board on the remuneration packages of the Directors and senior management personnel. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by taking reference to, inter alia, their duties, responsibilities, experiences and qualifications.

Corporate Governance Report (Continued)

(viii) Continuous Professional Development

According to the provision A.6.5 of the CG Code, all the Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the Reporting Period, all the Directors have participated in continuous professional development and the relevant details are set out below:

Name of Directors	Attending seminar(s)/ Reading relevant materials in relation to the business or directors' duties Yes/No
Executive Directors	
Mr. Chan Le Bon (<i>Chairman</i>)	Yes
Mr. Chan Yu (<i>Chief executive officer</i>)	Yes
Non-executive Director	
Mr. Choy Wing Hang, William	Yes
Independent non-executive Directors	
Mr. Fu Lui	Yes
Mr. Chan Chi Ho	Yes
Ms. Chui Sin Heng	Yes

BOARD COMMITTEES

During the Reporting Period, to assist the Board in its work, the Board is assisted by three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website (www.asia-expresslogs.com) and the Stock Exchange's website (www.hkexnews.hk).

Audit Committee

The Company has established the Audit Committee on 23 March 2020 in compliance with rule 5.28 of the GEM Listing Rules. As at the date of this annual report, the Audit Committee comprises all the independent non-executive Directors, namely Mr. Fu Lui, Mr. Chan Chi Ho and Ms. Chui Sin Heng. Mr. Fu Lui is the chairman of the Audit Committee. Written terms of reference in compliance with provision C.3.3 of the CG Code have been adopted. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditor and to review and supervise the financial reporting process and internal control and risk management systems of the Group.

During the year ended 31 March 2020, no Audit Committee meeting was held.

Corporate Governance Report (Continued)

Remuneration Committee

The Company established the Remuneration Committee on 23 March 2020 with written terms of reference. The Remuneration Committee comprises Mr. Chan Chi Ho, Mr. Fu Lui and Ms. Chui Sin Heng with Mr. Chan Chi Ho being the chairman. Written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and provision B.1.2 of the CG Code have been adopted. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management and make recommendations to the Board of the remuneration of non-executive Director and independent non-executive Directors.

During the year ended 31 March 2020, one Remuneration Committee meeting was held.

Nomination Committee

The Company has established the Nomination Committee on 23 March 2020 with written terms of reference. The Nomination Committee comprises Ms. Chui Sin Heng, Mr. Chan Chi Ho and Mr. Fu Lui with Ms. Chui Sin Heng being the chairman. Written terms of reference in compliance with provision A.5.2 of the CG Code have been adopted. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors, and to assess the independence of the independent non-executive Directors.

During the year ended 31 March 2020, no Nomination Committee meeting was held.

Board Nomination Policy

The Company adopted a nomination policy on 23 March 2020 in compliance with the CG Code with effect from Listing Date, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

Selection criteria

In assessing and selecting candidates for Directors, the Nomination Committee shall consider the following non-exhaustive list of factors:

- the candidate's character and integrity, professional skills and experience;
- the potential contributions that a candidate can bring to the Board in terms of diversity of gender, age, culture and educational background etc.;
- whether the candidate meets the required independence criteria as set out in the GEM Listing Rules;
- whether the candidate is willing and able to devote sufficient time to fulfill the duties of being a Director; and
- such other perspectives appropriate to the Company's business.

Corporate Governance Report (Continued)

Nomination procedures

The evaluation, recommendation, nomination, selection and appointment or re-appointment of each proposed Director shall be assessed and considered by the Nomination Committee and the Board against the selection criteria and the Board Diversity Policy (as defined below).

In the context of appointment of any proposed candidate to the Board, after the Nomination Committee receives the proposal to appoint a new Director or the nomination from a shareholder, the Nomination Committee shall evaluate the candidate's eligibility to serve as a Director based on the above criteria in combination with his or her personal profile. If multiple candidates are involved, the Nomination Committee shall prioritize them according to the Company's needs and candidates' respective qualification.

In the case of the re-appointment of a Director at the forthcoming annual general meeting of the Company, the Nomination Committee shall review the overall contribution of the Directors and their services, their participation and performance within the Board and whether such Director still meets the above selection criteria.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy (the "**Board Diversity Policy**") and recognises the benefits of having diversity in the composition of the Board.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having due regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Based on recommendations from the Nomination Committee, the Board will set measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Corporate Governance Report (Continued)

Dividend Policy

The Company has adopted a dividend policy (the “**Dividend Policy**”) that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

- the Group’s actual and expected financial performance;
- the Group’s expected working capital requirements, capital expenditure requirements and future expansion plans;
- retained earnings and distributable reserves of the Company and each member of the Group;
- the Group’s liquidity position;
- the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the GEM Listing Rules, the laws of Hong Kong and the Company’s articles of associations and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company’s dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

ACCOUNTABILITY AND AUDIT

Directors’ and auditor’s responsibilities for the consolidated financial statements

All the Directors acknowledge their responsibility to prepare the Group’s consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2020, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

Corporate Governance Report (Continued)

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditor, Moore Stephens CPA Limited, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" of this annual report.

Auditor's remuneration

The remuneration payable to the external auditors, Moore Stephens CPA Limited, in respect of their audit services for the year ended 31 March 2020 was approximately HK\$517,000.

Internal Control and Risk Management

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the Shareholders' interest and conducts a review on an annual basis. During the year, the Board had conducted review of the effectiveness and adequacy of the risk management and internal control systems of the Company in respect of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee. During the year, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control systems were in place and effective and adequate. In addition to the Board and the Audit Committee's work, the Company has engaged Shinewing Risk Services Limited ("**Shinewing**") to conduct an independent review and Shinewing has identified some potential deficiencies in the policies, procedures and controls. The Company has revised its internal policies, procedures and control. The Directors believe that the current internal control system is appropriate for the Group's business operations. The Directors will continue to monitor and review the Group's risk management and internal control systems from time to time such that they are adequate and effective.

Company secretary

Mr. Yip Chun Ming, Alex was appointed as the company secretary of the Company on 2 January 2018. Mr. Yip has taken no less than 15 hours of relevant professional training during the year.

Corporate Governance Report (Continued)

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands, and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant Shareholders' meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for Shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

- (a) any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition;
- (b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Unit 1613–1615, Level 16, Tower 1 Metroplaza, 223 Hing Fong Road, Kwai Fong, Hong Kong, or the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the Board and/or the Company Secretary. Such meeting shall be held within 2 months after the deposit of such requisition;
- (c) if within 21 days of the deposit of the Requisition the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing the Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, the Shareholders who wish to move a resolution may by means of the Requisition convene an EGM following the procedures set out above.

Corporate Governance Report (Continued)

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a Shareholder to propose a person for election as a Director are laid down in Article 113 of the Articles. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the headquarter or at the Hong Kong Branch Share Registrar. The period for lodgment of the notices required under the Articles will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders could direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

Should there be any enquiries and concerns from the Shareholders, they may send written enquiries addressed to the headquarter and principal place of business of the Company in Hong Kong at Unit 1613-1615, Level 16, Tower 1 Metroplaza, 223 Hing Fong Road, Kwai Fong, Hong Kong for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTORS RELATIONS

The Company has established a range of communication channels among itself, the Shareholders and investors. These include answering questions through the general meetings, the publication of annual, interim and quarterly reports, notices, announcements and circulars on the Company's website at www.asia-expresslogs.com and meetings with investors and the Shareholders. News update of the Group's business development and operation are also available on the Company's website.

Since the Listing Date and up to the date of this annual report, there had been no change in the Company's constitutional documents.

COMPLIANCE OFFICER

Mr. Chan Yu was appointed as the compliance officer of the Company on 23 May 2018. Please refer to the paragraph headed "Executive Directors" in the section headed "Directors and Senior Management" of this annual report for his profile.

Report of the Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its headquarter and principal place of business in Hong Kong is Unit 1613–1615, Level 16, Tower 1 Metroplaza, 223 Hing Fong Road, Kwai Fong, Hong Kong. The Shares were listed on GEM of the Stock Exchange on 20 April 2020.

In the preparation for the Listing, the Company became the holding company of the companies now comprising the Group. Details of the reorganisation of the Group are set out in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” of the Prospectus.

USE OF PROCEEDS FROM THE COMPANY’S SHARE OFFER

The aggregate net proceeds from the Share Offer (after deducting the underwriting fees and commissions and estimated expenses in relation to the Share Offer paid and payable by the Company) amounted to approximately HK\$17.8 million. The Group did not utilize any part of the proceeds from the Listing Date and up to the date of this report.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year ended 31 March 2020.

BUSINESS REVIEW

Detailed business review is set out in the section headed “Management Discussion and Analysis” (“**MD&A**”) of this annual report from pages 6 to 12. Future development of the Company’s business is set out in the MD&A and the section headed “Chairman’s Statement” in this annual report on page 5.

Report of the Directors (Continued)

KEY RISKS AND UNCERTAINTIES

The Group believes that the risk management practices are important and uses its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible. Operational risk may arise when the Group has loss of (i) our customers; and (ii) senior management employed by the Group which may adversely affect the Group's operations. In the event that the Group fails to identify suitable replacements for senior managements in a timely manner and at reasonable cost, the Group's competitiveness may be impaired and performance could be adversely affected. To retain our customers, we are trying to maintain excellence and integrated services to our customers in timely manner, so that we can create extra value to our customers.

An analysis of the Group's financial risk management (including market risk, credit risk, and liquidity risk) objectives and policies are provided in note 26 to the consolidated financial statements. Other risks faced by the Group are set out in the section headed "Risk Factors" in the Prospectus.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A fundamental task of the senior management of the Group have always been leading the management to concern about environmental protection, performing social responsibility as an enterprise citizen, strengthening corporate governance, promoting healthy and orderly development of the Group, and creating more economic value and social utility for stakeholders such as consumers, upstream suppliers, downstream distributors, shareholders, potential investors, management, employees, communities and even the environment.

More disclosures regarding our environmental policies and performance will set out in the Group's environmental, social and governance report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, the Group has maintained good relationships with its stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Report of the Directors (Continued)

KEY PERFORMANCE INDICATORS (“KPIs”) WITH THE STRATEGY OF THE GROUP

The key financial performance indicators of the Group for the year ended 31 March 2020 are set out below:

Strategy	KPIs
Maximise value for the Shareholders	Net profit margin approximately –0.7% (2019: 0.0%)
	Return on equity approximately –5.7% (2019: –0.3%)
Improve the Group’s liquidity	Net cash generated from operating activities approximately HK\$10.5 million (2019: HK\$7.1 million)
	Cash and cash equivalents approximately HK\$15.4 million (2019: HK\$18.5 million)

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

No final dividend for the year ended 31 March 2020 was recommended by the Board.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**2020 AGM**”) of the Company is scheduled to be held on 21 August 2020. A notice convening the 2020 AGM will be issued and despatched to the Shareholders.

The register of members of the Company will be closed from Tuesday, 18 August to Friday, 21 August 2020 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 August 2020.

Report of the Directors (Continued)

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity on page 55 of this annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four financial years is set out on page 124.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed approximately 61.0% (2019: approximately 62.0%) of the total revenue for the year ended 31 March 2020 while the Group's five largest customers accounted for approximately 80.1% (2019: approximately 81.5%) of the total revenue for the year ended 31 March 2020.

Since the Group has a very wide base of suppliers, the aggregate purchase attributable to the Group's five largest suppliers were approximately 33.5% (2019: approximately 26.0%) of the Group's total purchases for the year ended 31 March 2020 with the largest supplier accounted for approximately 15.1% (2019: approximately 13.5%) of the total purchases.

To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any Shareholders (which to the best knowledge of the Directors owns more than 5% of the number of Company's issued Shares) had any interests in any of the Group's five largest customers or suppliers referred to above.

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

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

SUFFICIENCY OF PUBLIC FLOAT

From the Listing Date and up to the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the prescribed minimum amount of public float as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Report of the Directors (Continued)

SHARE CAPITAL

Details of the Company's share capital are set out in note 23 to the consolidated financial statements.

SHARE OPTION SCHEME

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

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

(a) Purpose

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

(b) The Participants of the Scheme

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

- (i) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director and independent non-executive director) of the Company, its subsidiaries or any entity ("**Invested Entity**") in which our Group holds an equity interest ("**Eligible Employee**");
- (ii) any non-executive director (including independent non-executive director) of the Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

Report of the Directors (Continued)

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

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

(c) Maximum number of Shares available for issuance

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

(d) Maximum number of options to any one individual

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

Report of the Directors (Continued)

(e) Price of Shares

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

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

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

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

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

(g) Acceptance and payment on acceptance

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

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Share premium and retained profit of the Company may be available for distribution to ordinary Shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. The Company's reserves available for distribution to Shareholders at 31 March 2020 amounted to approximately HK\$14,580,000 (2019: approximately HK\$6,135,000).

Report of the Directors (Continued)

DIRECTORS

During for the year ended 31 March 2020 and up to the date of this annual report, the Board's composition is as follows:

Executive Directors

Mr. Chan Le Bon (*Chairman*)

Mr. Chan Yu (*Chief executive officer*)

Non-executive Director

Mr. Choy Wing Hang, William

Independent non-executive Directors

Mr. Fu Lui

Mr. Chan Chi Ho

Ms. Chui Sin Heng

Retirement and re-election of Directors

In accordance with article 84 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation every year shall include (as far as necessary to ascertain the number of the Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of the Directors who are to retire by rotation.

According to article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. Fu Lui and Mr. Chan Chi Ho will retire and, being eligible, offer themselves for re-election at the 2020 AGM pursuant to article 84 of the Articles.

Report of the Directors (Continued)

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from their respective date of appointment subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles.

Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from their respective date of appointment and subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles.

None of the Directors proposed for re-election at the 2020 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to rule 5.09 of the GEM Listing Rules. The Nomination Committee has assessed the independence of the independent non-executive Directors and affirmed that all independent non-executive Directors remained independent.

Report of the Directors (Continued)

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

Since the Listing Date up to the date of this annual report, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in the Company

Long positions in the ordinary Shares

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

Notes:

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

Report of the Directors (Continued)

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

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

Long positions in the ordinary Shares

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

Notes:

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the Scheme, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or its parent company was a party and in which a Director of the Company or an entity connected with any of them had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During the Reporting Period, there had been no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

COMPETING INTEREST

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

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

MANAGEMENT CONTRACTS

During the year ended 31 March 2020, there was no contract entered into by the Company relating to the management and administration of the entire or any substantial part of the business of the Group.

Report of the Directors (Continued)

EMOLUMENT POLICY

The remuneration policy of the Group is to reward its employees and executives based on, among other things, their performance, qualification, competence displayed and market comparables. Remuneration package typically comprises of salaries, contribution to pension schemes and discretionary bonuses.

The Remuneration Committee will review annually the remuneration of all the Directors to ensure that it is attractive enough to attract and retain a competent team of executive members. The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group.

COMPLIANCE ADVISER'S INTEREST

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

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

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Related party transactions entered into by the Group during the year ended 31 March 2020 are set out in note 28 to the consolidated financial statements.

The Directors consider that these related party transactions disclosed in note 28 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 20 of the GEM Listing Rules requiring compliance with any of the reporting, announcement or independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Report of the Directors (Continued)

AUDIT COMMITTEE

The Company has established the Audit Committee on 23 March 2020, with written terms of reference in compliance with rules 5.28 and 5.33 of the GEM Listing Rules. Details of the role and work performed by the Audit Committee are set out in the section headed “Corporate Governance Report” of this annual report. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2020 and is of the view that the preparation of such statements complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

PERMITTED INDEMNITY PROVISIONS

At no time during the year ended 31 March 2020 and up to the date of this Directors’ Report was there any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise), or an associated company (if made by the Company).

An associated company is defined in Section 2(1) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five highest paid individuals for the year are set out in note 10 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company has complied with all code provisions as set out in the CG Code throughout the Reporting Period.

Further information on the Company’s corporate governance practices is set out in the section headed “Corporate Governance Report” of this annual report from pages 20 to 31.

ENVIRONMENTAL, SOCIETY AND CORPORATE RESPONSIBILITY

The Group is committed to support environmental protection to ensure business development and sustainability. We implement green office practices to reduce the consumption of energy and natural resources. These practices include the use of energy-saving lightings and recycled paper, reduce energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible.

Report of the Directors (Continued)

AUDITOR

Moore Stephens CPA Limited was appointed as the auditor of the Company in place of Deloitte Touche Tohmatsu as auditor of the Company on 10 June 2020 and to hold office until the conclusion of the 2020 AGM.

The consolidated financial statements of the Group for the year ended 31 March 2020 have been audited by Moore Stephens CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the 2020 AGM. A resolution for their re-appointment as auditors of the Company will be proposed at the 2020 AGM.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19

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

Other subsequent events

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

On 17 April 2020, in connection with the Listing, the Company issued 120,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.5 per share by way of public offer. On 20 April 2020, the shares of the Company were listed on the GEM.

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

On behalf of the Board

Mr. Chan Le Bon

Chairman

Hong Kong, 29 June 2020

Independent Auditor's Report

**Moore Stephens CPA Limited**

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180

F +852 2375 3828

www.moore.hk

大
華
馬
施
會
計
師
事
務
所
有
限
公
司
雲

To the Shareholders of Asia-express Logistics Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia-express Logistics Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 52 to 123, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (Continued)

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter

How our audit addressed the key audit matter

Estimated provision of expected credit losses for trade receivables

We identified the estimated provision of expected credit losses for trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated statement of financial position and the involvement of subjective judgment and management estimates in evaluating the expected credited losses for trade receivables at the end of the reporting period.

As disclosed in note 4 to the consolidated financial statements, in determining the provision of expected credit losses for trade receivables, management assesses individually for each significant trade debtors and collectively for others using provision matrix by groupings of various trade debtors that have similar loss patterns as reflected in the debtors' aging profiles. The provision rates are estimated by using the historical observed default rates of the debtors taking into consideration of forward-looking information that is reasonably and supportably available to the managements of the Group without undue costs or effort, and are updated if considered to be required.

As disclosed in note 16 to the consolidated financial statements, the carrying amount of trade receivables as at 31 March 2020 is HK\$49,328,000 (net of allowance for credit losses of HK\$913,000).

Our procedures in relation to impairment assessment of trade receivables included:

- Obtaining an understanding of management's process in assessing the estimated provision of expected credit losses for trade receivables;
- Assessing management's basis in determining allowance for credit losses for the individually significant trade receivables identified with reference to the historical default rates and the reasonableness of the forward-looking information being considered;
- Evaluating the reasonableness of management's grouping of trade debtors other than those individually significant ones identified according to the similarities of historical loss patterns;
- Assessing the reasonableness of management's basis in determining allowance for credit losses for trade debtors other than those individually significant ones identified by examining the historical default rates applied in each category of the provision matrix of the trade debtors, on a sample basis; and the reasonableness of the forward-looking information being considered; and
- Checking the mathematical accuracy of management's estimated allowance for expected credit losses of trade receivables for the individually significant trade receivables and those under the provision matrix.

Independent Auditor's Report (Continued)

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2020.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

Lai Hung Wai

Practising Certificate Number: P06995

Hong Kong, 29 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	319,370	351,137
Other income	6	5,612	4,227
Other gains and losses	6	(4,360)	(3,832)
Employee benefits expenses		(49,648)	(50,145)
Dispatch labour costs		(87,583)	(90,665)
Transportation costs		(150,574)	(175,110)
Depreciation of property, plant and equipment	13	(4,034)	(6,403)
Depreciation of right-of-use assets	15	(9,713)	—
Operating lease rentals in respect of rented premises/ short-term lease payments		(69)	(6,819)
Other expenses		(9,679)	(8,432)
Listing expenses		(8,437)	(10,768)
Finance costs	7	(2,451)	(928)
Share of results of an associate		(9)	25
(Loss) profit before tax		(1,575)	2,287
Income tax expense	8	(810)	(2,436)
Loss for the year	9	(2,385)	(149)
Other comprehensive expense that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,127)	(1,707)
Share of other comprehensive expense of associates, net of related income tax		(41)	(45)
Other comprehensive expense for the year		(2,168)	(1,752)
Total comprehensive expense for the year		(4,553)	(1,901)
Loss for the year attributable to owners of the Company		(2,385)	(149)
Total comprehensive expense for the year attributable to owners of the Company		(4,553)	(1,901)
Loss per share (HK cents)			
Basic	12	(0.65)	(0.04)

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	24,704	44,961
Interest in an associate	14	631	681
Right-of-use assets	15	36,935	—
Deposits paid for acquisition of property, plant and equipment	16	400	1,779
Rental deposits	16	829	1,068
		63,499	48,489
CURRENT ASSETS			
Trade and other receivables	16	62,005	59,204
Rental deposits	16	215	—
Pledged bank deposits	17	15,017	11,000
Bank balances and cash	17	15,410	18,527
		92,647	88,731
CURRENT LIABILITIES			
Trade and other payables	18	51,559	49,399
Bank borrowings	19	30,000	22,000
Obligations under finance leases			
— due within one year	20	—	6,021
Lease liabilities	21	11,748	—
Tax payable		1,656	621
		94,963	78,041
NET CURRENT (LIABILITIES) ASSETS		(2,316)	10,690
TOTAL ASSETS LESS CURRENT LIABILITIES		61,183	59,179

Consolidated Statement of Financial Position (Continued)

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases			
— due after one year	20	—	4,230
Lease liabilities	21	14,553	—
Deferred tax liabilities	22	5,054	5,330
		19,607	9,560
NET ASSETS			
		41,576	49,619
CAPITAL AND RESERVES			
Share capital	23	—*	—*
Reserves		41,576	49,619
TOTAL EQUITY			
		41,576	49,619

* Less than HK\$1,000

The consolidated financial statements on page 52 to 123 were approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

Chan Le Bon
Executive Director

Chan Yu
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000 (Note a)	Retained profits HK\$'000	Total HK\$'000
At 1 April 2018	—*	7,000	1,876	3,315	2,310	46,019	60,520
Loss for the year	—	—	—	—	—	(149)	(149)
Other comprehensive expense	—	—	—	(1,752)	—	—	(1,752)
Total comprehensive expense for the year	—	—	—	(1,752)	—	(149)	(1,901)
Transfer	—	—	—	—	14	(14)	—
Dividend recognised as distribution (note 11)	—	—	—	—	—	(9,000)	(9,000)
At 31 March 2019	—*	7,000	1,876	1,563	2,324	36,856	49,619
Adoption of HKFRS 16 (Note b)	—	—	—	—	—	(372)	(372)
At 1 April 2019 (restated)	—*	7,000	1,876	1,563	2,324	36,484	49,247
Loss for the year	—	—	—	—	—	(2,385)	(2,385)
Other comprehensive expense	—	—	—	(2,168)	—	—	(2,168)
Total comprehensive expense for the year	—	—	—	(2,168)	—	(2,385)	(4,553)
Transfer	—	—	—	—	107	(107)	—
Repurchase of ordinary shares (note 23)	—*	(3,118)	—	—	—	—	(3,118)
At 31 March 2020	—*	3,882	1,876	(605)	2,431	33,992	41,576

* Less than HK\$1,000

Notes:

- (a) Amount represents statutory reserve of the subsidiaries of the Company established in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, the subsidiaries in the PRC are required to transfer at least 10% of its net profit after taxation, as determined under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.
- (b) As set out in note 2 to the consolidated financial statements, upon adoption of HKFRS 16 "Leases" on 1 April 2019, the accumulated impact of HK\$372,000 was recorded as an adjustment to the retained profits as at 1 April 2019.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(1,575)	2,287
Adjustments for:		
Bank interest income	(207)	(121)
Depreciation of property, plant and equipment	4,034	6,403
Depreciation of right-of-use assets	9,713	—
Finance costs	2,451	928
Government subsidies received upon disposal of qualified commercial motor vehicles	(5,300)	(4,101)
Provision of (reversal of) impairment loss allowance recognised on trade receivables under HKFRS 9, net	189	(249)
Loss on disposal of property, plant and equipment	4,247	3,862
Loss on disposal of right-of-use assets	107	—
Share of results of an associate	9	(25)
Operating cash flows before movements in working capital	13,668	8,984
Increase in trade and other receivables	(3,369)	(4,239)
Increase in trade and other payables	229	2,437
Cash generated from operations	10,528	7,182
PRC Enterprise Income Tax ("EIT") paid	(17)	(48)
NET CASH FROM OPERATING ACTIVITIES	10,511	7,134
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,255)	(13,050)
Payments for right-of-use assets	(143)	—
Proceeds from disposal of property, plant and equipment	7,038	6,103
Interest received	207	121
Proceeds from disposal of a joint venture (note 9)	1,347	1,170
Placement of pledged bank deposits	(4,017)	(11,000)
Proceeds from deregistration of a joint venture	—	530
Deposits paid for acquisition of property, plant and equipment	—	(1,779)
NET CASH USED IN INVESTING ACTIVITIES	(1,823)	(17,905)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
FINANCING ACTIVITIES		
Repayment of lease liabilities	(13,112)	—
Repurchase of ordinary shares	(3,118)	—
Interests paid	(2,451)	(928)
Share issue costs paid	(314)	(2,123)
New bank borrowing raised	8,000	22,000
Dividends paid	—	(9,000)
Repayment of obligations under finance leases	—	(6,814)
Repayment to a joint venture	—	(761)
Additions of obligations under finance leases	—	9,247
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(10,995)	11,621
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,307)	850
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	18,527	18,497
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(810)	(820)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	15,410	18,527

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2018 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares (the “Shares”) have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 April 2020 (the “Listing”). The addresses of the Company’s registered office and principal place of business are disclosed in the section headed “Corporate Information” of this annual report.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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

Group reorganisation and basis of preparation and presentation of consolidated financial statements (Continued)

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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

Group reorganisation and basis of preparation and presentation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of approximately HK\$2.3 million as at 31 March 2020, and the Group has technically breached a loan covenant from the bank borrowings with an aggregate amount of HK\$30 million (note 19), which were presented as current liabilities in the consolidated statement of financial position at 31 March 2020. However, in the opinion of the directors of the Company, the liquidity of the Group can be maintained in the coming year as the directors of the Company had taken into consideration of the following facts and circumstances:

On 17 April 2020, in connection with the Listing, the Company issued 120,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.5 per share by way of public offer. On 20 April 2020, the shares of the Company were listed on the GEM of the Stock Exchange. The amount of net proceeds from the share offer to be received by the Company, after deduction of the underwriting commissions and other estimated offering expenses payable by the Company, is estimated by the management to be approximately HK\$17.8 million.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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

HKFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

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

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

	<i>Notes</i>	HK\$'000
Operating lease commitments as at 31 March 2019	<i>27</i>	16,386
Discounting effect using the incremental borrowing rates as 1 April 2019		(963)
<hr/>		
Lease liabilities discounted at relevant incremental borrowing rates		15,423
Less: Recognition exemption for short-term leases		(73)
<hr/>		
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		15,350
Add: Obligations under finance leases recognised at 31 March 2019	<i>(a)</i>	10,251
<hr/>		
Lease liabilities as at 1 April 2019		25,601
<hr/>		
Analysed as		
Current		11,574
Non-current		14,027
<hr/>		
		25,601
<hr/>		

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

Notes:

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 16	COVID-19 — Related Rent Concessions ⁵
Amendments to HKFRS 3	Definition of a Business ²
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 Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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 June 2020

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for services rendered.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interest in a subsidiary

Interest in a subsidiary (see note 32) is stated in the statements of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to customers.

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct services.

Income from air cargo terminal operation services, transportation services and warehousing and other value-added services

The Group provides air cargo terminal operation services, transportation services and warehousing and other value-added services to its customers. Contracts are entered into before services begin. Under the terms of the contracts, the customers simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. Revenue from air cargo terminal operation services, transportation services and warehousing and other value-added services is therefore recognised over time.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate. Specifically, government subsidies whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Prior to 1 April 2019, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application of HKFRS16, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets (Continued)

The Group presents right-of-use assets (other than a commercial unit for own use which is included in the Group's property, plant and equipment) as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Impairment on property, plant and equipment, right-of-use assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39 or HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as other income.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

Amortised cost and interest rate

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances and cash) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as stage 2 and stage 3). In contrast, 12 months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's non-significant trade receivables are assessed as a separate group. Significant trade receivables, other receivables, pledged bank deposits, bank balances and amount due from a subsidiary are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank overdrafts and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including government-managed retirement benefit scheme and the Mandatory Provident Fund Scheme (the “MPF Scheme”), are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective since 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit or loss before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date.

For share awards that vest immediately at the date of grant, the difference between the fair value of the shares to which the counterparty has received and the price the counterparty is required to pay for those shares is expensed immediately to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Recognition of deferred tax assets

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. A deferred tax asset was recognised in respect of the tax losses arising in Hong Kong to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Therefore, estimates are made to establish whether deferred tax balances should be recognised. During the year ended 31 March 2019, the tax losses arising in Hong Kong had been fully utilised. As at 31 March 2019 and 2020, the Group had no tax losses carried forward arising in Hong Kong.

As at 31 March 2019 and 2020, no deferred tax asset has been recognised in respect of the unused tax losses of RMB1,298,000 (equivalent to HK\$1,518,000) and RMB1,305,000 (equivalent to HK\$1,436,000), respectively, attributable to the Group's PRC subsidiaries due to the unpredictability of future assessable profit streams. Such tax losses may be carried forward for up to five years for EIT purpose.

Estimated useful life of motor vehicles

The Company determines the estimated useful lives based on the historical experience of the actual useful lives of motor vehicles and takes into consideration of any residual value of the relevant motor vehicles. As at 31 March 2020, the carrying amounts of motor vehicles were HK\$46,748,000 (2019: HK\$42,239,000).

Provision of ECL for trade receivables

The management of the Group estimates the amount of loss allowance of trade receivables based on the credit risk and past due status of trade receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly. As at 31 March 2020, the carrying amounts of trade receivables were HK\$49,328,000 (net of loss allowance of HK\$913,000) (2019: HK\$48,956,000 (net of loss allowance of HK\$731,000)). Details are disclosed in note 16.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

5. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

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

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

For the years ended 31 March 2020 and 2019

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

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

As at 31 March 2020 and 2019

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

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

	2020 HK\$'000	2019 HK\$'000
Customer A	194,917	217,621

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

6. OTHER INCOME/OTHER GAINS AND LOSSES

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Current year	1,013	20
Underprovision in prior years	63	—
PRC EIT		
Current year	4	10
Underprovision in prior years	6	—
	1,086	30
Deferred tax (note 22)	(276)	2,406
	810	2,436

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

8. INCOME TAX EXPENSE (Continued)

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

The tax charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
(Loss) profit before tax	(1,575)	2,287
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	(260)	377
Tax effect of expenses not deductible for tax purpose	1,396	1,815
Tax effect of tax losses not recognised	14	250
Utilisation of deductible temporary differences previously not recognised	(213)	—
Utilisation of tax losses previously not recognised	(28)	—
Underprovision in prior years	69	—
Tax effect of two-tiered tax rates	(165)	—
Effect of different tax rates in the PRC	(3)	(6)
Income tax expense for the year	810	2,436

9. LOSS FOR THE YEAR

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

9. LOSS FOR THE YEAR (Continued)

Notes:

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

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

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

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Details of emoluments paid or payable by entities now comprising the Group to the directors and the chief executive of the Company are as follows:

For the year ended 31 March 2020

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. LB Chan	—	446	52	18	516
Mr. Chan Yu	—	604	90	18	712
Non-executive director:					
Mr. Choy Wing Hang, William ("Mr. William Choy")	—	—	—	—	—
	—	1,050	142	36	1,228
Independent non-executive directors:					
Mr. Fu Lui (<i>Note a</i>)	—	—	—	—	—
Mr. Chan Chi Ho (<i>Note a</i>)	—	—	—	—	—
Ms. Chui Sin Heng (<i>Note a</i>)	—	—	—	—	—
	—	—	—	—	—

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2019

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. LB Chan	—	428	50	18	496
Mr. Chan Yu	—	581	87	18	686
Non-executive director:					
Mr. William Choy	—	—	—	—	—
	—	1,009	137	36	1,182

Notes:

- (a) Appointed on 23 March 2020.
- (b) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.
- (c) Discretionary bonuses are determined by the management of the Group by reference to the individual performance and contribution to the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 March 2020 include 1 (2019: 1) individual who is a director of the Company. The emoluments of the remaining 4 (2019: 4) individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, discretionary bonuses and other benefits	2,269	2,122
Retirement benefits scheme contributions	72	69
	2,341	2,191

The number of the highest paid employees (who are not the directors of the Company) whose remuneration fell within the following band is as follows:

	2020 No. of employees	2019 No. of employees
Nil to HK\$1,000,000	4	4

During the years ended 31 March 2020 and 2019, no emoluments were paid by the Group to any of the five highest paid individuals (including the director and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the years ended 31 March 2020 and 2019.

11. DIVIDENDS

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

12. LOSS PER SHARE

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

13. PROPERTY, PLANT AND EQUIPMENT

	Commercial unit in the PRC HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
COSTS							
At 1 April 2018	2,116	3,422	79,086	1,414	3,352	1,590	90,980
Additions	—	105	12,546	59	327	13	13,050
Disposals	—	—	(8,975)	—	—	—	(8,975)
Exchange difference	(136)	—	(426)	(1)	(33)	(4)	(600)
At 31 March 2019	1,980	3,527	82,231	1,472	3,646	1,599	94,455
Adoption of HKFRS 16 (note 2)	—	—	(38,569)	—	—	—	(38,569)
At 1 April 2019 (restated)	1,980	3,527	43,662	1,472	3,646	1,599	55,886
Additions	—	1,351	4,531	1,262	490	—	7,634
Disposals	—	—	(11,057)	—	—	—	(11,057)
Transfer from right-of-use assets (note 15)	—	—	9,616	—	—	—	9,616
Exchange difference	(119)	—	(279)	—	(34)	(3)	(435)
At 31 March 2020	1,861	4,878	46,473	2,734	4,102	1,596	61,644
DEPRECIATION							
At 1 April 2018	691	2,941	37,549	981	2,995	1,322	46,479
Charge for the year	99	162	5,756	175	135	76	6,403
Eliminated on disposals	—	—	(3,111)	—	—	—	(3,111)
Exchange difference	(39)	—	(202)	—	(32)	(4)	(277)
At 31 March 2019	751	3,103	39,992	1,156	3,098	1,394	49,494
Adoption of HKFRS 16 (note 2)	—	—	(14,460)	—	—	—	(14,460)
At 1 April 2019 (restated)	751	3,103	25,532	1,156	3,098	1,394	35,034
Charge for the year	93	205	3,286	198	179	73	4,034
Eliminated on disposals	—	—	(5,072)	—	—	—	(5,072)
Transfer from right-of-use assets (note 15)	—	—	3,185	—	—	—	3,185
Exchange difference	(45)	—	(166)	—	(29)	(1)	(241)
At 31 March 2020	799	3,308	26,765	1,354	3,248	1,466	36,940
CARRYING VALUES							
At 31 March 2020	1,062	1,570	19,708	1,380	854	130	24,704
At 31 March 2019	1,229	424	42,239	316	548	205	44,961

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is provided to write off the cost of items of property, plant and equipment less their residual values, over their estimated useful lives, using the straight-line method at the following rates per annum:

Commercial unit in the PRC	5%
Leasehold improvements	20%
Motor vehicles	10%
Machinery	20%
Office equipment	20%
Furniture and fixtures	20%

The commercial unit is held under a medium-term land use right.

As at 31 March 2019, motor vehicles as shown above with carrying values of HK\$24,109,000, were held under finance leases during the year ended 31 March 2019 as set out in note 20. Motor vehicles held under finance leases as at 1 April 2019 and 31 March 2020 were classified as right-of-use assets (note 15) in accordance with HKFRS 16.

14. INTEREST IN AN ASSOCIATE

	2020 HK\$'000	2019 HK\$'000
Cost of unlisted investment in an associate	900	900
Share of post-acquisition losses and other comprehensive expense	(269)	(219)
	631	681

As at 31 March 2020 and 2019, the Group had interest in the following associate:

Name of associate	Form of business structure	Place of establishment/ operations	Registered capital	Proportion of registered paid up capital held by the Group		Proportion of voting rights held by the Group		Principal activities
				2020	2019	2020	2019	
成都市桂邦運輸有限公司	Limited liability	The PRC	RMB3,000,000	25%	25%	25%	25%	Provision of domestic transportation services

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

14. INTEREST IN AN ASSOCIATE (Continued)

The summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

成都市桂邦運輸有限公司

	2020 HK\$'000	2019 HK\$'000
Current assets	2,789	3,062
Non-current assets	2	2
Current liabilities	(266)	(338)
	2020 HK\$'000	2019 HK\$'000
Revenue	2,443	5,233
(Loss) profit for the year	(37)	99
Other comprehensive expense for the year	(163)	(180)
Total comprehensive expense for the year	(200)	(81)

Reconciliation of the above summarised financial information to the carrying amount of the interest in 成都市桂邦運輸有限公司 recognised in the consolidated financial statements:

	2020 HK\$'000	2019 HK\$'000
Net assets of 成都市桂邦運輸有限公司	2,525	2,726
Proportion of the Group's ownership in 成都市桂邦運輸有限公司	25%	25%
Carrying amount of the Group's interest in 成都市桂邦運輸有限公司	631	681

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

15. RIGHT-OF-USE ASSETS

The Group leases certain motor vehicles and properties as office premises and warehouses for its operations. The Group's obligations are secured by the lessor's title to the lease assets for motors vehicles and rental deposits for office premises and warehouses. Lease terms are negotiated on an individual basis and contain various different terms and conditions.

Property leases are typically made for fixed periods of two to four years at fixed rentals without renewal option. A number of the Group's property leases includes termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination options. In addition, the Group reassesses whether it is reasonably certain to not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. As at 1 April 2019 and at the commencement dates of the Group's property leases, as appropriate, the Group assessed and concluded that it is reasonably certain not to exercise the termination options. During the year ended 31 March 2020, there is no such triggering event and the Group remains to be reasonably certain not to exercise the termination options.

Leases contracts for the motor vehicles are typically entered into for fixed periods of two to five years. The Group has the option to purchase the motor vehicle for a nominal amount at the end of the relevant lease terms. As at 1 April 2019 and at lease commencement dates, as appropriate, the Group assessed and concluded that it is reasonably certain to exercise the purchase options. During the year ended 31 March 2020, there is no such triggering event and the Group remains to be reasonably certain to exercise the purchase options. As the purchase options are considered to be exercised at the end of the lease terms, the Group depreciates the right-of-use assets from the commencement date to the end of the useful life of the motor vehicles, which is estimated to be ten years based on the experience of the Group with similar assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

15. RIGHT-OF-USE ASSETS (Continued)

The lease arrangements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

	Motor vehicles HK\$'000	Office premises HK\$'000	Warehouses HK\$'000	Total HK\$'000
COST				
At 1 April 2019 (<i>note 2</i>)	38,569	1,875	13,219	53,663
Additions	13,607	679	—	14,286
Transfer to property, plant and equipment upon expiration of lease contracts	(9,616)	—	—	(9,616)
Disposals	(388)	—	—	(388)
Exchange difference	—	(68)	—	(68)
At 31 March 2020	42,172	2,486	13,219	57,877
DEPRECIATION				
At 1 April 2019 (<i>note 2</i>)	14,460	—	—	14,460
Charge for the year	3,903	1,148	4,662	9,713
Transfer to property, plant and equipment upon expiration of lease contracts	(3,185)	—	—	(3,185)
Eliminated on disposals	(46)	—	—	(46)
At 31 March 2020	15,132	1,148	4,662	20,942
CARRYING VALUES				
At 31 March 2020	27,040	1,338	8,557	36,935
At 1 April 2019 (<i>note 2</i>)	24,109	1,875	13,219	39,203

The above right-of-use assets are depreciated on a straight-line basis over their estimated useful life or lease term as follows:

Motor vehicles	10 years
Office premises and warehouses	Over the lease terms of 2 to 4 years

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

16. TRADE AND OTHER RECEIVABLES

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

16. TRADE AND OTHER RECEIVABLES (Continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

16. TRADE AND OTHER RECEIVABLES (Continued)

Impairment assessment on trade receivables subject to ECL model

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

As at 31 March 2020

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

As at 31 March 2019

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

16. TRADE AND OTHER RECEIVABLES (Continued)

Impairment assessment on trade receivables subject to ECL model (Continued)

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

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

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash on hand and bank balances that are interest-bearing at the market interest rates, ranging from 0.01% to 0.35% per annum as at 31 March 2019 and 2020.

The pledged deposits carry market interest rates, ranging from 1.73% to 1.80% per annum and from 1.15% to 1.90% per annum as at 31 March 2019 and 31 March 2020, respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$11,000,000 and HK\$15,017,000 as at 31 March 2019 and 2020, respectively, have been pledged to secure short-term bank loans and undrawn facilities and are therefore classified as current assets. For the years ended 31 March 2019 and 2020, the Group performed impairment assessment on pledged bank deposits and concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for ECL is provided.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

18. TRADE AND OTHER PAYABLES

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

19. BANK BORROWINGS

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

The bank loans as at 31 March 2020 carry variable interest rate at 2.75% (2019: 2.75%) above Hong Kong Interbank Offered Rate ("HIBOR"). The effective interest rate of the Group was 4.74% per annum (2019: 4.40% per annum) as at 31 March 2020, respectively. The bank loans as at 31 March 2019 were secured by the pledged bank deposits as disclosed in note 17 and personal guarantee provided by Mr. LB Chan and Mr. Chan Yu. The bank loans as at 31 March 2020 were secured by the pledged bank deposits as disclosed in note 17, personal guarantee provided by Mr. LB Chan and Mr. Chan Yu and corporate guarantee provided by the Company. The personal guarantee from Mr. LB Chan and Mr. Chan Yu provided for the banking facility has been released on 5 June 2020.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

20. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The lease terms range from two to four years as at 31 March 2019 and interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.85% to 3.50% per annum as at 31 March 2019. The Group reclassified the obligations under finance leases of HK\$6,021,000 and HK\$4,230,000 to lease liabilities as current and non-current liabilities, respectively, at 1 April 2019 upon the application of HKFRS 16 (note 2).

	Minimum lease payments 2019	Present value of minimum lease payments 2019
	HK\$'000	HK\$'000
Amounts payable under finance leases:		
Within one year	6,299	6,021
Within a period of more than one year but not more than two years	2,685	2,594
Within a period of more than two years but not more than five years	1,689	1,636
	10,673	10,251
Less: future finance charges	(422)	N/A
	10,251	10,251
Less: Amounts due for settlement within twelve months (shown under current liabilities)		(6,021)
		4,230

The Group's obligations under finance leases were secured by the lessors' titles to the leased assets and a director of the Company, Mr. Chan Yu, had provided personal guarantee for the leases. The finance lease obligations were all denominated in HK\$, which is the functional currency of the relevant group entity.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

21. LEASE LIABILITIES

The exposure of the Group's lease liabilities is as follows:

	2020 HK\$'000
Within one year	11,748
More than one year but not exceeding two years	8,706
More than two years but not exceeding five years	5,847
	26,301
Less: Amounts due for settlement within twelve months (shown under current liabilities)	11,748
Amounts due for settlement after twelve months (shown under non-current liabilities)	14,553

The Group leases properties and motor vehicles for operations and these lease liabilities were measured at the present value of the lease payments that are not yet paid. All leases are entered at fixed prices.

Lease liabilities as at 31 March 2020 of HK\$16,027,000 are secured by the title of the motor vehicles and a director of the Company, Mr. Chan Yu, has provided personal guarantee for the leases.

The lease obligations are all denominated in the functional currencies of the relevant group entities.

The total cash outflows for leases including the payments of lease liabilities for the year ended 31 March 2020 were HK\$14,298,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

22. DEFERRED TAXATION

The following is the major deferred tax (assets) liabilities recognised and movements thereon during the years ended 31 March 2020 and 2019:

	Accelerated tax depreciation	Tax losses	Impairment loss allowance on trade receivables	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 April 2018	5,696	(2,590)	(182)	2,924
(Credited) charged to profit or loss (<i>note 8</i>)	(234)	2,590	50	2,406
At 31 March 2019	5,462	—	(132)	5,330
Credited to profit or loss (<i>note 8</i>)	(247)	—	(29)	(276)
At 31 March 2020	5,215	—	(161)	5,054

Deferred tax liabilities related to accelerated tax depreciation are mainly arisen from the initial and annual depreciation allowance for the Group's motor vehicles, the amount of which, in aggregate, is higher than the accounting depreciation charges.

As at 1 April 2018, the Group had unused tax losses of HK\$15,697,000 arising from Hong Kong available for offset against future profits. A deferred tax asset had been recognised in respect of such losses which can be carried forward indefinitely. During the year ended 31 March 2019, the tax losses arising from Hong Kong had been fully utilised. As at 31 March 2019 and 31 March 2020, there is no unused tax losses arising from Hong Kong.

As at 31 March 2019 and 2020, no deferred tax asset has been recognised in respect of the unused tax losses of RMB1,298,000 (equivalent to approximately HK\$1,518,000) and RMB1,305,000 (equivalent to approximately HK\$1,436,000), respectively, attributable to the Group's PRC subsidiaries due to the unpredictability of future assessable profit streams. Such tax losses may be carried forward for up to five years for EIT purpose.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

23. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018 and 31 March 2019	39,000,000	390,000
Increase on 23 March 2020 (<i>Note a</i>)	9,961,000,000	99,610,000
At 31 March 2020	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 April 2018 and 31 March 2019	230	2
Repurchase of shares on 4 September 2019 (<i>Note b</i>)	(4)	—*
Repurchase of shares on 18 September 2019 (<i>Note b</i>)	(8)	—*
At 31 March 2020	218	2
		HK\$'000
Presented in the consolidated financial statements at 31 March 2019 and 2020		—**

* The amount is less than HK\$1.

** The amount is less than HK\$1,000.

Notes:

- (a) Pursuant to the issue of shares and the capitalisation issue approved by shareholders' written resolution dated 23 March 2020, the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of an additional 9,961,000,000 ordinary shares of HK\$0.01 each.
- (b) As referred to note 1, on 4 September 2019 and 18 September 2019, the Company completed the repurchase of the 4 shares and 8 shares from its shareholders at considerations of HK\$1,039,000 and HK\$2,079,000, respectively.

Other than the shares allotments and repurchase above, no other share transaction was undertaken by the Company during the years ended 31 March 2020 and 2019.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

23. SHARE CAPITAL (Continued)

On 17 April 2020, in connection with the Listing, the Company issued 120,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.5 per share by way of public offer. On 20 April 2020, the shares of the Company were listed on the GEM of the Stock Exchange.

Based on the offer price of HK\$0.50 per offer share, the amount of net proceeds from the share offer to be received by the Company, after deduction of the underwriting commissions and other estimated offering expenses payable by the Company in connection with the share offer, is estimated by the management to be approximately HK\$17.8 million.

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was conditionally adopted by the written resolutions of the shareholders of the Company passed on 27 March 2020. Under the Scheme, the board of directors of the Company may, at their absolute discretion, at any time within a period of ten years commencing from the effective date offer to grant to any eligible persons, including director, employee, non-executive director, supplier, customer, person or entity providing research, development or other technological support, shareholder, adviser or consultant to the area of business or business development, and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The Company shall not make any offer for grant of options during the period of six months commencing from the date of the Listing, and up to the date of issuance of these consolidated financial statements, no option is granted under the Scheme.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years ended 31 March 2020 and 2019.

The capital structure of the Group consists of net debt, which includes bank borrowings as disclosed in note 19, obligations under finance leases as disclosed in note 20 and lease liabilities as disclosed in note 21, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, retained profits and other reserves.

The management of the Group reviews the capital structure on a regular basis by considering the cost of capital and the risks associated with each class of capital. Based on recommendation of management of the Group, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt and the redemption of existing debt.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

26. FINANCIAL INSTRUMENTS

26a. Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Financial assets at amortised cost	84,870	82,951
Financial liabilities		
Amortised cost	59,653	53,444
Obligations under finance leases	—	10,251
Lease liabilities	26,301	—

26b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, rental deposits, pledged bank deposits, bank balances and cash, trade and other payables, obligations under finance leases, lease liabilities and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and variable-rate bank borrowings (see notes 17 and 19) due to the fluctuation of the prevailing market interest rate.

The Group is exposed to fair value interest rate risk in relation to its obligations under finance leases and lease liabilities (see notes 20 and 21).

In order to mitigate the interest rate risk, the Group adopts a policy of maintaining an appropriate level of floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the years ended 31 March 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

26. FINANCIAL INSTRUMENTS (Continued)

26b. Financial risk management objectives and policies (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis points increase or decrease in variable-rate bank borrowings is used as it represents management's assessment of the reasonably possible change in interest rate. Pledged bank deposits and bank balances are excluded from the sensitivity analysis as the management of the Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant.

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2020 would decrease/increase by HK\$125,000 (2019: HK\$92,000).

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, rental deposits, pledged bank deposit and bank balances.

In order to minimise the credit risk, the management of the Group has assessed the credibility and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debts and rental deposits at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 March 2020, the Group had concentration of credit risk as 45% (2019: 46%), of the total trade receivables was due from the Group's largest customer, and 80% (2019: 80%), of the total trade receivables were due from the five largest customers. The management of the Group considered the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial position.

At 31 March 2020, the Group had certain concentration of credit risk as 49% (2019: 37%) of the total of bank balances and pledged bank deposits was deposited with one financial institution in the Hong Kong with high credit rating. The credit risk on bank balances and pledged bank deposits are limited because the counterparties are banks with good reputation and high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on bank balances and pledged bank deposits which are deposited with several banks with good reputation and high credit ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

26. FINANCIAL INSTRUMENTS (Continued)

26b. Financial risk management objectives and policies (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or the debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Medium risk	The debtor has historically failed to make payments within the credit term granted. It may face major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.	Lifetime ECL — not credit-impaired	12m ECL
High risk	The debtor has past due exceeding the credit period granted. It has minimal capacity for timely payment of financial commitments and increased vulnerability to near term adverse changes in financial and economic conditions. Its ability to pay will depend on favourable condition to the business and economic environment and current ongoing relationship.	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

26. FINANCIAL INSTRUMENTS (Continued)

26b. Financial risk management objectives and policies (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

As at 31 March 2020	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
Financial assets at amortised cost					
Trade receivables	16	N/A	Note i	Lifetime ECL	50,241
Other receivables	16	N/A	Note ii	12m ECL	4,071
Rental deposits	16	N/A	Note ii	12m ECL	1,044
Pledged bank deposits	17	Aa1	Note ii	12m ECL	15,017
Bank balances	17	Aa1–Aa3	Note ii	12m ECL	15,410

As at 31 March 2019	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
Financial assets at amortised cost					
Trade receivables	16	N/A	Note i	Lifetime ECL	49,687
Other receivables	16	N/A	Note ii	12m ECL	4,468
Pledged bank deposits	17	Aa1	Note ii	12m ECL	11,000
Bank balances	17	Aa1–Aa3	Note ii	12m ECL	18,527

Notes:

- (i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL for individually significant trade debtors and collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers as at 31 March 2019 and 2020 and taking into account the financial condition of the customers and historical settlement pattern with no history of default in the past, and the forward-looking information (such as gross domestic product growth in Hong Kong and the PRC and increment in demands of worldwide transportation services). Details of assessments are set out in note 16.
- (ii) For the purposes of internal credit risk management, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group determines the ECL for other receivables, rental deposits, pledged bank deposits and bank balances by assessment of probability of default. As at 31 March 2019 and 2020, in view of the nature of these balances, historical settlement record and good reputations of the banks, the Group considers the provision of impairment allowance for other receivables, rental deposits, pledged bank deposits and bank balances is insignificant.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

26. FINANCIAL INSTRUMENTS (Continued)

26b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturity of the Group and the Company for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2020 HK\$'000
31 March 2020							
Non-derivative financial liabilities							
Trade and other payables	—	29,653	—	—	—	29,653	29,653
Bank borrowings	4.74	30,000	—	—	—	30,000	30,000
		59,653	—	—	—	59,653	59,653
Lease liabilities	3.92	1,316	2,632	8,575	15,086	27,609	26,301

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

26. FINANCIAL INSTRUMENTS (Continued)

26b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk table (Continued)

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2019 HK\$'000
31 March 2019							
Non-derivative financial liabilities							
Trade and other payables	—	31,444	—	—	—	31,444	31,444
Bank borrowings	4.40	22,000	—	—	—	22,000	22,000
Obligations under finance leases	1.98	557	1,103	4,639	4,374	10,673	10,251
		54,001	1,103	4,639	4,374	64,117	63,695

The bank loans with repayment on demand clause were included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 March 2020, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$30,109,000 (2019: HK\$22,065,000).

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

26. FINANCIAL INSTRUMENTS (Continued)

26b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Taking into account the Group's financial position, the management of the Group did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The management of the Group believed that such bank borrowings would be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2020				
— variable-rate	4.74	30,109	30,109	30,000
At 31 March 2019				
— variable-rate	4.40	22,065	22,065	22,000

26c. Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

27. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK\$'000
Land and buildings	
Within one year	6,190
In the second to fifth year inclusive	10,196
	16,386

Operating lease payments represent rentals paid or payable by the Group for its office premises and warehouses. Leases are negotiated for terms of one to five years.

Since 1 April 2019, the Group's commitments for the future minimum lease payments under non-cancellable operating leases have been accounted for in accordance with HKFRS 16 (see notes 2, 15 and 21 for more details). At 31 March 2020, the Group did not have commitments for future minimum lease payments under non-cancellable short-term leases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

28. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the years ended 31 March 2019 and 2020, the Group entered into the following transactions with related parties:

Nature of transaction	Class of related party	2020	2019
		HK\$'000	HK\$'000
Transportation costs	Mr. LB Chan	—	75

(b) Compensation of key management personnel of the Company

	2020	2019
	HK\$'000	HK\$'000
Fees	—	—
Salaries, discretionary bonuses and other benefits	1,192	1,146
Share-based payment	—	—
Retirement benefits scheme contributions	36	36
Total	1,228	1,182

(c) Guarantees provided by a related party

The Group's bank borrowings as at 31 March 2019 and 2020 were secured by personal guarantees provided by Mr. LB Chan and Mr. Chan Yu, directors of the Company as set out in note 19. Such personal guarantee provided for the bank facility has been released on 5 June 2020.

The Group's leased motor vehicles are guaranteed by Mr. Chan Yu, a director of the Company as set out in notes 20 and 21.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	Interest payable on bank overdrafts	Obligations under finance leases	Lease liabilities	Bank borrowings	Amount due to a joint venture	Accrued share issue costs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	—	—	7,818	—	—	897	—	8,715
Financing cash flows	(9,000)	(8)	2,060	—	21,453	(761)	(2,123)	11,621
Deferred issue costs recognised	—	—	—	—	—	—	4,223	4,223
Dividend declared (<i>note 11</i>)	9,000	—	—	—	—	—	—	9,000
Finance costs	—	8	373	—	547	—	—	928
Exchange difference	—	—	—	—	—	(136)	—	(136)
At 31 March 2019	—	—	10,251	—	22,000	—	2,100	34,351
Adoption of HKFRS 16 (<i>note 2</i>)	—	—	(10,251)	25,601	—	—	—	15,350
At as 1 April 2019 (restated)	—	—	—	25,601	22,000	—	2,100	49,701
Financing cash flows	—	—	—	(14,229)	6,666	—	(314)	(7,877)
Additions to lease liabilities	—	—	—	14,136	—	—	—	14,136
Deferred issue costs recognised	—	—	—	—	—	—	1,808	1,808
Finance costs	—	—	—	1,117	1,334	—	—	2,451
Exchange difference	—	—	—	(89)	—	—	—	(89)
Other	—	—	—	(235)	—	—	—	(235)
At 31 March 2020	—	—	—	26,301	30,000	—	3,594	59,895

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

30. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme in Hong Kong which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 or 5% of relevant payroll costs per person each month to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the years ended 31 March 2020 and 2019, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represent contributions paid or payable to the schemes by the Group. The retirement benefit scheme contributions made by the Group amounted to HK\$3,355,000 for the year ended 31 March 2020 (2019: HK\$2,408,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The Company had investments in the following subsidiaries:

Name of subsidiary	Form of business structure	Place of establishment/ incorporation/ operations	Issued and fully paid share capital/ registered capital	2020 %	2019 %	Principal activities
Directly owned						
Asia-express (BVI)	Limited liability	The BVI	US\$1	100	100	Investment holding
Indirectly owned						
Kwai Bon (HK)	Limited liability	Hong Kong	HK\$10,000	100	100	Provision of air cargo ground handling, transportation services and warehousing and other value-added services in Hong Kong
Shenzhen Kwai Bon Logistics Limited 深圳市桂邦運輸有限公司	Limited liability	The PRC	RMB3,000,000	100	100	Provision of air cargo ground handling services and domestic transportation services in Shenzhen, the PRC
Kwai Bon Logistics (Guangzhou) Limited 桂邦運輸(廣州)有限公司	Limited liability	The PRC	RMB5,000,000	100	100	Provision of domestic transportation services in Guangzhou, the PRC
Kwai Bon Logistics (Shanghai) Limited 桂邦運輸(上海)有限公司	Limited liability	The PRC	RMB5,000,000	100	100	Provision of domestic transportation services in Shanghai, the PRC
Brilliant Logistics Limited	Limited liability	Hong Kong	HK\$10,000	100	100	Provision of domestic transportation services in Hong Kong

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS		
Interest in a subsidiary	—*	—*
Amounts due from a subsidiary	12,900	—
	12,900	—
CURRENT ASSETS		
Other receivables	6,040	4,287
Amounts due from a subsidiary	20,000	12,900
	26,040	17,187
CURRENT LIABILITIES		
Other payables	15,311	8,399
Amount due to subsidiaries	9,049	2,653
	24,360	11,052
NET CURRENT ASSETS	1,680	6,135
TOTAL ASSETS LESS CURRENT LIABILITIES	14,580	6,135
NET ASSETS	14,580	6,135
CAPITAL AND RESERVES		
Share capital	—*	—*
Reserves	14,580	6,135
TOTAL EQUITY	14,580	6,135

* Less than HK\$1,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium HK\$'000	(Accumulated losses) retained earnings HK\$'000	Total HK\$'000
At 1 April 2018	7,000	(2,995)	4,005
Profit for the year	—	11,130	11,130
Dividend declared (<i>note 11</i>)	—	(9,000)	(9,000)
At 31 March 2019	7,000	(865)	6,135
Repurchase of ordinary shares (<i>note 23</i>)	(3,118)	—	(3,118)
Profit for the year	—	11,563	11,563
At 31 March 2020	3,882	10,698	14,580

33. CAPITAL COMMITMENTS

	2020 HK\$'000	2019 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment which is contracted for but not provided in the consolidated financial statements	7,600	16,823

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

34. CONTINGENT LIABILITIES

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

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

Having considered, among other things, the opinion from the external legal adviser representing the Group in such claim, the directors of the Company consider that it is remote for claim and, therefore, no provision is made at the end of the reporting period.

35. SUBSEQUENT EVENTS

The outbreak of coronavirus disease ("COVID-19")

The directors of the Company are of the view of that since the Group has operations in Hong Kong and the PRC, the recent outbreak of COVID-19 has some degree of impact on the operations and financial position of the Group in the short term, they considered that such event would not have a material adverse impact to the sustainability of the Group's business in the foreseeable future. As at the date of this report, the government of Hong Kong has not imposed any regulation requiring suspension of (a) operations for all enterprises in Hong Kong; (b) air terminal cargo operations of the Hong Kong International Airport; nor (c) cross-border logistics services between Hong Kong and the PRC.

Given the dynamic nature of the circumstances, the directors of the Company consider that the financial effects on the Group's future financial statements cannot be reasonably estimated as at the date of this report.

Other subsequent events

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

On 17 April 2020, in connection with the Listing, the Company issued 120,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.5 per share by way of public offer. On 20 April 2020, the shares of the Company were listed on the GEM of the Stock Exchange.

Four Years' Financial Summary

A summary of the results and assets, liabilities and equity of the Group for the last four financial years, as extracted from the Prospectus and audited consolidated financial statements, is set out below. No financial statements of the Group for the year ended 31 March 2016 have been published.

RESULTS

	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	309,222	321,885	351,137	319,370
(Loss) profit before tax	5,731	8,614	2,287	(1,575)
Income tax expenses	(1,521)	(2,176)	(2,436)	(810)
(Loss) profit for the year	4,210	6,438	(149)	(2,385)

ASSETS AND LIABILITIES

	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net current (liabilities) assets	(4,077)	18,249	10,690	(2,316)
Total assets less current liabilities	52,762	67,197	59,179	61,183
Net assets	44,516	61,318	49,619	41,576
Total equity	44,516	61,318	49,619	41,576