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

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 1737**


# ANNUAL REPORT
# 2018

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors**
Mr. Law Kwok Leung Alex *(Chairman)*
Mr. Law Kwok Ho Simon
Mr. Chiu Tat Ting Albert *(Chief Executive Officer)*

**Independent non-executive Directors**
Mr. Ho Chun Chung Patrick
Mr. Iu Tak Meng Teddy
Mr. Kwan Ngai Kit

## BOARD COMMITTEES

**Audit Committee**
Mr. Kwan Ngai Kit *(Chairman)*
Mr. Ho Chun Chung Patrick
Mr. Iu Tak Meng Teddy

**Remuneration Committee**
Mr. Ho Chun Chung Patrick *(Chairman)*
Mr. Iu Tak Meng Teddy
Mr. Kwan Ngai Kit
Mr. Law Kwok Leung Alex

**Nomination Committee**
Mr. Iu Tak Meng Teddy *(Chairman)*
Mr. Ho Chun Chung Patrick
Mr. Kwan Ngai Kit
Mr. Law Kwok Leung Alex

## COMPANY SECRETARY

Ms. Tam Kwai Heung *(FCPA)*

## AUTHORISED REPRESENTATIVES

Mr. Law Kwok Leung Alex
Ms. Tam Kwai Heung *(FCPA)*

## COMPLIANCE OFFICER

Mr. Law Kwok Leung Alex

## COMPLIANCE ADVISER

Frontpage Capital Limited
26th Floor, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

## AUDITOR

HLB Hodgson Impey Cheng Limited
*Certified Public Accountants*
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

## LEGAL ADVISOR AS TO HONG KONG LAWS

CFN Lawyers in association with Broad & Bright
Units 4101-04, 41st Floor
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

## SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 11, 14th Floor, Tower 2
Ever Gain Plaza
88 Container Port Road
Kwai Chung, New Territories
Hong Kong

## PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

## STOCK CODE

1737

## COMPANY'S WEBSITE

www.asl.hk

# CHAIRMAN'S STATEMENT

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of A & S Group (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present our annual report for the year ended 31 March 2018 ("**FY2018**").

## INITIAL PUBLIC OFFERING

The shares of the Company were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 March 2018 (the "**Listing Date**"). The success of the initial public offering (the "**IPO**") reflected the capital market's confidence in the Group growth prospects in markets.

## 2018 RESULTS

For FY2018, the Group's turnover was approximately HK$474.7 million, representing an increase of approximately 10.4% as compared to that for the year ended 31 March 2017 ("**FY2017**"), mainly driven by the increase in average services fee of the air freight forwarding ground handling services and the increase in cargo volume processed for the air cargo terminal operating services. The Group recorded a net profit of approximately HK$12.1 million for FY2018 as compared to HK$34.2 million for FY2017, mainly due to lower gross profit margin and higher listing expenses and listing related administrative expenses. Set aside the listing expenses, the Group's net profit for FY2018 would be approximately HK$22.8 million.

## OUTLOOK AND PROSPECTS

In July 2018, the United States ("**US**") Government announced to impose 25% tariff on a total of US$250 billion worth of Chinese goods. Hong Kong, which has served as re-exported hub between China and US, is inevitability sandwiched between the two sides. The proposed tariff may result in a drop in volume of international trade and demand for the ground handling logistics service. The Group is monitoring the development of the US-China trade tensions closely, and will continue to keep close the relationship with the customers to enhance the operation efficiency, cost and warehouse management and quality of services.

In addition, to strengthen the Group's competitiveness, the Group plans to upgrade the existing warehouse management system and accounting system to enhance documentation and manual procedures.

## ACKNOWLEDGEMENT

I would like to take this opportunity to express my heartfelt thanks to the members of the Board and all the staff of the Group for their effective work and strenuous efforts. As in the past, The Company will strive to reward all its shareholders for their unwavering support.

**Law Kwok Leung Alex**
*Chairman*
Hong Kong, 25 June 2018

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of (i) air freight forwarding ground handling services and (ii) air cargo terminal operating services in Hong Kong. The Group provides air freight forwarding ground handling services to the Group's customers, who are generally global logistics companies and major freight forwarding agents, with the Group's facilities at the Group's own rented warehouse premises in the Airport Freight Forwarding Centre ("**AFFC**"). The Group also provides air cargo terminal operating services at the Cathay Pacific Cargo Terminal ("**CPCT**"), being one of the three air cargo terminals operating in Hong Kong, to work with its various built-in computerised handling systems.

The shares of the Company were listed on the Main Board of the Stock Exchange on 14 March 2018 by way of share offer. The Directors believe that the listing could enhance the Group's profile and recognition which will enhance the customers' confidence on the Group. In addition, the net proceeds from the share offer will provide additional resources for the Group for expand its business.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Credit risk

The Company is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are substantially from the customers with good collection track records with the Company. For trade receivables, the Company adopts the policy of dealing only with customers of appropriate credit history in order to mitigate credit risks. The Company is subject to concentration of credit risk with respect to trade receivables. No provision for doubtful debts was recognised during FY2018 because there were subsequent settlements or no historical default of payments by the respective customers and the amounts are still considered recoverable.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, the Company adopts the policy of dealing only with high credit quality counterparties.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated on the combined statements of financial position.

### Liquidity risk

The Group has policy in place to regularly monitor the Group's liquidity requirements, both existing and expected, in order to maintain sufficient reserves of cash from short term to long term.

The Directors are of the view that the liquidity risk management policy enables the Group to have sufficient resources to meet the debt obligations of the Group and working capital needs.

### Interest rate risk

The interest rate risk of the Company relates primarily to the bank deposits and bank borrowings. The Company currently has not entered into interest rate swaps to hedge against the exposure to changes in fair values of the borrowings. It is the policy of the Company to maintain an appropriate level between the deposits and borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that the Company may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the debt obligations. The Company currently does not use any derivative instruments to manage the interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect the Company from fluctuations in interest rates.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

Due to the nature of the business of the Group, the Group's operations do not directly generate industrial pollutants, and as such the Group did not incur direct costs of compliance with applicable environmental protection rules and regulations during the reporting period. The Directors expect that the Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at 31 March 2018, the Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

For details of environmental, social and governance performance of the Group, please refer to the Environmental, Social and Governance Report.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group in the event of a material breach or non-compliance. During the year under review, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

## RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders in order to meet its immediate and long-term goals. During the year under review, there was no material or significant dispute between the Group and its suppliers, customers and/other stakeholders.

## FINANCIAL REVIEW

### Turnover

Revenue of the Group increased by approximately 10.4% from approximately HK$430.1 million for FY2017 to approximately HK$474.7 million for FY2018. Such an increase was mainly driven by the increase in average services fee of the air freight forwarding ground handling services and the increase in cargo volume processed for the air cargo terminal operating services.

### Gross profit and gross profit margin

Gross profit decreased by approximately 12.8% from HK$83.2 million for FY2017 to HK$72.6 million for FY2018. It was mainly because the gross profit margin returned from a relatively high level of approximately 19.4% for FY2017 as we attained a new pricing upon the renewal of major contracts in July 2016 to approximately 15.3% for FY2018, mainly resulted from the increasing average labour cost for FY2018.

### Other income and gains

Other income and gains mainly comprised of income from sales of scrap materials and other miscellaneous income. Other income and gains remained relatively stable at approximately HK$3.5 million for FY2018 as compared with approximately HK$3.3 million for FY2017.

### Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 33.4% from approximately HK$43.4 million for FY2017 to approximately HK$57.9 million for FY2018, primarily due to higher listing expenses and listing related administrative expenses for FY2018 as compared with FY2017.

### Income tax expense

Income tax expense decreased by approximately 32.0% from approximately HK$7.6 million for FY2017 to approximately HK$5.2 million for FY2018, primarily due to the decrease in profit before tax driven by the decrease in gross profit and the increase in administrative and other operating expenses as explained above.

### Profit and total comprehensive income for the year

As a result of the foregoing, the Group recorded a profit and total comprehensive income attributable to owners of the Company of approximately HK$12.1 million for FY2018 as compared to approximately HK$34.2 million for FY2017. Set aside the listing expenses, the Group's net profit for FY2018 would be approximately HK$22.8 million. The net profit margin (excluding the listing expenses) for FY2018 and FY2017 was approximately 4.8% and 8.9% respectively.

## CAPITAL STRUCTURE

The Group's shares were successfully listed on the Stock Exchange on the Listing Date (i.e. 14 March 2018). There has been no change in the capital structure of the Group since the Listing Date and up to date of this annual report. The capital of the Group only comprises of ordinary shares.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its business operations, bank borrowings and equity contribution from shareholders. As at 31 March 2018, the Group had net current assets of approximately HK$177.5 million (2017: HK$73.8 million), cash and bank balances approximately HK$142.2 million (2017: HK$58.1 million) and pledged bank deposit with original maturity over three months of HK$3.0 million (2017: HK$3.0 million). As at the same date, the Group's total equity attributable to owners of the Company amounted to approximately HK$189.6 million (2017: HK$80.4 million), and the Group's total debt comprising bank and other borrowings and finance lease liabilities amounted to approximately HK$46.0 million (2017: HK$27.5 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

## GEARING RATIO

As at 31 March 2018, the gearing ratio (calculated on the basis of total bank borrowings and finance lease liabilities divided by total equity at the end of the year) of the Group was approximately 24.2% (2017: 34.3%).

## CAPITAL COMMITMENTS

As at 31 March 2018, the Group did not have any material capital commitments (2017: Nil).

## CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liability (2017: Nil).

## INFORMATION ON EMPLOYEES

As at 31 March 2018, the Group employed 539 employees (2017: 616 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As the Listing Date (i.e. 14 March 2018) is close to the date of financial year end (i.e. 31 March 2018), the Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the prospectus dated 28 February 2018 (the "**Prospectus**"). The Group will strive to achieve the milestone events as stated in the Prospectus.

## CHARGE ON GROUP ASSETS

Certain cash deposits of the Group of approximately HK$3.0 million as at 31 March 2018 and 2017 are charged to the bank to secure general banking facilities.

## FOREIGN EXCHANGE EXPOSURE

The Group is currently not exposed to any material foreign exchange risks as most of the monetary assets and liabilities are denominated in Hong Kong dollars. The management will consider suitable hedging instruments against significant currency exposure should the need arises.

## TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

## SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 5 to the consolidated financial statements.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSET

Save as disclosed in the Prospectus and in this annual report, the Group did not have other plans for material investments or acquisition of capital assets as of 31 March 2018.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During FY2018, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the corporate reorganisation (as detailed in the Prospectus).

## FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for FY2018 (FY2017: Nil).

On 10 May 2017, the subsidiary of the Company has declared dividends of approximately HK$11.0 million to its then shareholders prior to the Reorganisation.

## USE OF PROCEEDS

The net proceeds from the share offer, after deducting underwriting fees and estimated expenses payable by the Group in connection thereto, were approximately HK$92.8 million. The shares of the Company were listed on Main Board of the Stock Exchange on the Listing Date shortly before the end of FY2018. The Board confirms that between the Listing Date and 31 March 2018, there was no significant progress as to the business objectives described in the Prospectus. The unutilised net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong.

The net proceeds from the share offer will be applied as follows:

| | **Planned use of net proceeds as stated in the Prospectus HK$' million** |
|---|---:|
| New warehouse premises in Tuen Mun | 36.4 |
| Upgrading our existing facilities and acquisition of additional trucks and equipment | 36.4 |
| New information technology system | 14.5 |
| General working capital | 5.5 |

## EXECUTIVE DIRECTORS

**Mr. Law Kwok Leung Alex（羅國樑）**

Mr. Law Kwok Leung Alex ("**Mr. Alex Law**"), aged 38, is the chairman of the Company (the "**Chairman**") and an executive Director. Mr. Alex Law is responsible for the overall strategic management and development of the Group's business operations. He was appointed as a Director on 7 July 2016 and re-designated as the Chairman and an executive Director on 3 July 2017. Mr. Alex Law is also a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company. He has been a director of A & S (HK) Logistics Limited since 9 October 2002.

Mr. Alex Law has over 15 years of experience in warehouse management and transportation and logistics industry. He founded the Group in October 2002 and expanded his business over the years. In September 2014, Mr. Alex Law received the Outstanding Entrepreneurship Award from Asia Pacific Entrepreneurship Awards 2014 organised by Enterprise Asia.

Mr. Alex Law obtained a Diploma in Management Studies awarded jointly by Lingnan University and The Hong Kong Management Association in September 2012. He was conferred an Honorary Doctorate of Management of Lincoln University in April 2016. He received a fellowship from Canadian Chartered Institute of Business Administration in April 2016. He further obtained a Master of Business Administration from The University of Wales in August 2017.

Mr. Alex Law is the brother of Mr. Law Kwok Ho Simon and Mr. Law Kwok Pan.

**Mr. Law Kwok Ho Simon（羅國豪）**

Mr. Law Kwok Ho Simon ("**Mr. Simon Law**"), aged 43, is an executive Director. Mr. Simon Law was appointed as a Director on 7 July 2016 and re-designated as an executive Director on 3 July 2017. Mr. Simon Law is responsible for overseeing the Group's operation, business development, finance and administration. He became a director of A & S (HK) Logistics Limited in December 2012.

Mr. Simon Law completed secondary education in England. Subsequent to his completion of secondary education, he joined Bouygues Construction Group and worked as a foreman. Mr. Simon Law then joined the Group as a general manager in October 2002 where he gathered experience in logistics industry and he has been responsible for supervision of business operation, human resources, finance and administrative functions of the Group.

Mr. Simon Law is the brother of Mr. Alex Law and Mr. Law Kwok Pan.

**Mr. Chiu Tat Ting Albert（趙達庭）**

Mr. Chiu Tat Ting Albert ("**Mr. Albert Chiu**"), aged 55, is the chief executive officer of the Company (the "**Chief Executive Officer**") and an executive Director. Mr. Albert Chiu first joined the Company in August 2010 and he was appointed as a Director on 7 July 2016 and re-designated as the Chief Executive Officer and an executive Director on 3 July 2017. Mr. Albert Chiu is responsible for overseeing the Group's operation, business development, finance and administration.

Mr. Albert Chiu has over 30 years of experience in cargo hub operations, quality assurance, terminals and traffic operations and warehouse management. Prior to joining the Group, he worked at Cathay Pacific Airways Limited from 1986 to 1999 and his last position was cargo services coordinator. He then served in DHL Global Forwarding (Hong Kong) Limited from 1999 to 2008 and his last position was assistant general manager – warehouse. He worked for CEVA Logistics (Hong Kong) Limited from 2008 to 2010 with his last position as director – warehouse and transportation.

Mr. Albert Chiu was appointed as Sector/Subject Specialist by Hong Kong Council for Accreditation of Academic and Vocational Qualifications (formerly known as Hong Kong Council for Academic Accreditation) from June 2006 to June 2012. Mr. Albert Chiu completed a Professional Diploma in Electronic Commerce from the Hong Kong Management Association in February 2002. He also obtained a Bachelor of Commerce Management and Marketing from Curtin University of Technology in September 2004. He further obtained a Master of Science in Global Supply Chain Management from The Hong Kong Polytechnic University in December 2007.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ho Chun Chung Patrick**（何振琮）

Mr. Ho Chun Chung Patrick ("**Mr. Ho**"), aged 54, was appointed as an independent non-executive Director on 21 February 2018. He is also the chairman of the Remuneration Committee and a member of each of the audit Committee of the Company (the "**Audit Committee**") and the Nomination Committee. Mr. Ho is responsible for providing independent judgment on the issues of operation strategy, performance, resources and standard of conduct of the Group.

Mr. Ho has held directorships or positions in several listed companies. From 1992 to 2000, he worked in Gold Peak Industries (Holdings) Limited (stock code: 40) and his last position was financial controller. He then served Chen Hsong Holdings Limited (stock code: 57) from 2002 to 2005 with his last position as a financial controller. From 2014 to 2016, he was the independent non-executive director of Tesson Holdings Limited (stock code: 1201). He has been the independent non-executive director of Asia Investment Finance Group Limited (stock code: 33) since July 2015 and Ling Yui Holdings Limited (stock code: 784) since December 2017.

Mr. Ho worked at PricewaterhouseCoopers (formerly known as Price Waterhouse) in August 1987 as a staff accountant with his last position held as a senior accountant in July 1991.

Mr. Ho has been an associate member of the Hong Kong Institute of Certified Public Accounts and a fellow member of the Chartered Association of Certified Accountants since February 1991 and October 1995, respectively. He is currently a certified public accountant (practising).

Mr. Ho obtained a Professional Diploma in Accountancy in November 1987 from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University). He further obtained his Master of Science in Finance from the City University of Hong Kong in December 1996.

**Mr. Iu Tak Meng Teddy**（余德鳴）

Mr. Iu Tak Meng Teddy ("**Mr. Iu**"), aged 55, was appointed as an independent non-executive Director on 21 February 2018. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Iu is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Iu obtained a Diploma in Management Studies from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1990 and then obtained a Master of Science in Information Systems and a Master of Science in Accountancy from The Hong Kong Polytechnic University in October 1995 and November 2002 respectively. He received a Master of Science from The University of Hong Kong in December 2015.

He became a member of the Canadian Institute of Mining, Metallurgy and Petroleum in 2012, the Australasian Institute of Mining and Metallurgy in 2013, the Society of Economic Geologists in 2013, and the Institute of Electrical and Electronics Engineers, Incorporated in 2017. He also became a professional member of each of the Geological Society of America and the Royal Institution of Chartered Surveyors since 2015.

Mr. Iu has been a fellow of the Chartered Institute of Management Accountants, the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants), the Hong Kong Institute of Directors and the Geological Society of London since March 1995, June 1997, October 2012, and November 2013, respectively. The Chartered Institute of Management Accountants granted Mr. Iu the designation of chartered global management accountant in January 2012.

Mr. Iu was a Hong Kong divisional council member of the Chartered Institute of Management Accountants for the year term 1994 to 2003 and 2007 to 2009, and was elected as the divisional president from 2001 to 2002. He was also a lay member of the Solicitors Disciplinary Tribunal Panel from July 2003 to July 2009.

Mr. Iu worked as the North Asia financial controller of Regional Container Lines (HK) Limited from January 1996 to April 1997, after which he has been an independent and project based consultant since 1997. Additionally, he worked as the EDP manager for Asia Pacific Operations of Moulinex Far East Limited from April 2001 to January 2002. Besides his full time commitments, Mr. Iu also worked as a visiting lecturer (part-time) at the Department of Accountancy of The Hong Kong Polytechnic University from February 2000 to May 2001, a part-time instructor at the School of Continuing and Professional Education at the City University of Hong Kong from September 2001 to June 2010 and has been a part-time instructor at the School of Continuing and Professional Studies at The Chinese University of Hong Kong since September 2007. He has also been an independent non-executive director of Gameone Holdings Limited (stock code: 8282) since December 2015 and Basetrophy Group Holdings Limited (stock code: 8460) since June 2017. Mr. Iu has been a part-time lecturer of Centennial College since January 2018.

**Mr. Kwan Ngai Kit（關毅傑）**

Mr. Kwan Ngai Kit ("**Mr. Kwan**"), aged 38, was appointed as an independent non-executive Director on 21 February 2018. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Kwan is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Kwan has over 10 years of experience in auditing, accounting and corporate management. Prior to joining the Group, Mr. Kwan worked at Ernst & Young from 2005 to 2014 and his last position was senior manager in assurance department. From 2014 to 2016, he had been the chief financial officer and the company secretary of Vision Fame International Holding Limited (stock code: 1315). Mr. Kwan is currently the chief financial officer and the company secretary of Modern Dental Group Limited (stock code: 3600). Mr. Kwan also has been the independent non-executive director of Group Sense (International) Limited (stock code: 601) since June 2016, Lai Group Holding Company Limited (stock code: 8455) since March 2017 and Leyou Technologies Holdings Limited (stock code: 1089) since July 2017.

Mr. Kwan has been a member of the Hong Kong Institute of Certified Public Accountants since February 2010. He has been a member and subsequently a fellow of the Association of Chartered Certified Accountants since September 2008 and September 2013, respectively.

Mr. Kwan obtained a Bachelor degree of Arts in Accountancy from The Hong Kong Polytechnic University in November 2002. He completed a Master of Business Administration (Evening Mode) in The Chinese University of Hong Kong in November 2014.

## SENIOR MANAGEMENT

**Mr. Cheung Tai Lung（張泰隆）**

Mr. Cheung Tai Lung ("**Mr. Cheung**"), aged 33, is the general manager of corporate development of the Group. Mr. Cheung first joined the Group in July 2010 as an assistant manager. He was first promoted to manager of operation excellence in January 2012 and then to senior manager of operation excellence in January 2014 and became the assistant general manager of account management in April 2015. He was appointed as the general manager of corporate development on 1 July 2017. Mr. Cheung is primarily responsible for developing and implementing strategic initiatives.

Mr. Cheung has 9 years of experience in the logistics industry. Prior to joining the Group, Mr. Cheung served as a management trainee at CEVA Logistics (Hong Kong) Limited from July 2008 to February 2010.

Mr. Cheung obtained a Higher Diploma in International Transport Logistics from The Hong Kong Polytechnic University in June 2006. He subsequently obtained a Bachelor of Business Administration in International Shipping and Transport Logistics from The Hong Kong Polytechnic University in October 2008.

**Ms. Wong Lai Sim（王麗嬋）**

Ms. Wong Lai Sim ("**Ms. Wong**"), aged 55, is the human resources manager of the Group. Ms. Wong joined the Group on 1 September 2012 and she was appointed as human resources manager on 1 September 2012. Ms. Wong has over 10 years of human resources generalist experience. She is responsible for maintaining and enhancing the Group's human resources by planning, implementing, and evaluating employee relations and human resources policies, programs, and practices.

Prior to joining the Group, Ms. Wong worked in Benetton Asia Pacific Limited and her last position was human resources officer from 2005 to 2006. She then worked in Kuehne & Nagel Limited with human resources assistant being her last position from 2006 to 2011. She served in Agility Logistics Limited with her last position as a human resources officer from 2011 to 2012.

Ms. Wong was awarded an International Diploma in Administrative Management by The Institute of Administrative Management in August 1999. She subsequently obtained a Diploma in Human Resources Management from School of Continuing Education of Hong Kong Baptist University in August 2001. Ms. Wong obtained a Bachelor of Business in Human Resource Management from University of South Australia in September 2004.

**Mr. Law Kwok Pan（羅國斌）**

Mr. Law Kwok Pan ("**Mr. Anthony Law**"), aged 36, was appointed as the procurement manager on 1 May 2008. He is responsible for devising and conducting effective procurement and sourcing strategies.

Prior to joining the Group. Mr. Anthony Law completed secondary education in Canada from September 1997 to July 2002. He worked at Mars Computer as a salesman and a marketing manager from October 2002 to April 2008, during which he gathered experience and knowledge in sales and marketing techniques as well as personnel management.

Mr. Anthony Law is the brother of Mr. Alex Law and Mr. Simon Law.

## COMPANY SECRETARY

**Ms. Tam Kwai Heung（譚桂香）**

Ms. Tam Kwai Heung ("**Ms. Tam**"), aged 35, was appointed as the company secretary of the Group on 3 July 2017.

Ms. Tam obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017.

Ms. Tam has over 10 years of experience in auditing, accounting and financial reporting. She worked as an accountant in PKF and a senior auditor of Deloitte Touche Tohmatsu. Subsequently Ms. Tam worked as an accountant in Rich China Industries Holdings Limited, a private group of companies engaged in toy manufacturing. She was the assistant finance manager of Gammon Construction Limited which specialises in the provision of building and construction services. Ms. Tam is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaging in corporate advisory and company secretarial services.

## INTRODUCTION

The Group is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

## CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving a high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During FY2018, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transaction by the Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during FY2018.

## DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

## DELEGATION BY THE BOARD

Daily operation and management of the business of the Group, *inter alia*, the implementation of strategies are delegated to the executive Directors along with other senior executives. Executions of operational matters and the powers thereof are delegated to the management by the Board with clear directions. They report periodically their work and business decisions to the Board.

### Board Composition

The composition of the Board as at this annual report is set out as follows:

**Executive Directors**

| | |
|---|---|
| Mr. Law Kwok Leung Alex (Chairman) [Note 1] | (Appointed on 7 July 2016) |
| Mr. Law Kwok Ho Simon [Note 2] | (Appointed on 7 July 2016) |
| Mr. Chiu Tat Ting Albert (Chief Executive Officer) [Note 3] | (Appointed on 7 July 2016) |

**Independent Non-executive Directors**

| | |
|---|---|
| Mr. Ho Chun Chung Patrick | (Appointed on 21 February 2018) |
| Mr. Iu Tak Meng Teddy | (Appointed on 21 February 2018) |
| Mr. Kwan Ngai Kit | (Appointed on 21 February 2018) |

Biographical details of the Directors are set out in “Biographical Details of Directors and Senior Management” on pages 9 to 12 of this annual report.

The current proportion of independent non-executive Directors is higher than what is required by Rule 3.10A, 3.10(1) and (2) of the Listing Rules whereby independent non-executive directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

Note 1: Mr. Law Kwok Leung Alex was appointed as a Director on 7 July 2016 and was re-designated to be the executive Director and the Chairman on 3 July 2017.

Note 2: Mr. Law Kwok Ho Simon was appointed as a Director on 7 July 2016 and was re-designated to be the executive Director on 3 July 2017.

Note 3: Mr. Chiu Tat Ting Albert was appointed as a Director on 7 July 2016 and was re-designated to be the executive Director and the Chief Executive Officer on 3 July 2017.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role on the Board as they bring an impartial view on the Company’s strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director has entered into a service contract with the Company on 3 July 2017 and each independent non-executive Director has signed letters of appointment on 21 February 2018. The service contracts with the executive Directors and letters of appointment with the independent non-executive Directors are for an initial term of three years. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the articles of association of the Company and the applicable Listing Rules.

According to article 108 of the Company’s memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the memorandum and articles of association of the Company provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Each of Mr. Alex Law, Mr. Simon Law, Mr. Albert Chiu, Mr. Ho, Mr. Iu and Mr. Kwan will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 24 August 2018. Each of them will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to proposed re-election of Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu as executive Directors, Mr. Ho, Mr. Iu and Mr. Kwan as independent non-executive Directors.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual in order to balance the distribution of power. Mr. Alex Law was the Chairman of the Board throughout the year. Mr. Albert Chiu is the Chief Executive Officer.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group always encourages the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During FY2018, the Company has provided and all Directors have attended at least one training course on the updates of the Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

## BOARD COMMITTEES

The Board has established the Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.asl.hk. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in the annual report.

### Remuneration Committee

The Remuneration Committee was established on 21 February 2018. The chairman of the Remuneration Committee is Mr. Ho, the independent non-executive Director, and other members include Mr. Alex Law, the executive Director, Mr. Iu and Mr. Kwan, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during FY2018. No Director or any of his associates is involved in deciding his own remuneration.

**Nomination Committee**

The Nomination Committee was established on 21 February 2018. The chairman of the Nomination Committee is Mr. Iu, the independent non-executive Director, and other members include Mr. Alex Law, the executive Director, Mr. Ho and Mr. Kwan, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against an objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, the Board diversity is considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

**Audit Committee**

The Audit Committee was established on 21 February 2018. The chairman of the Audit Committee is Mr. Kwan, the independent non-executive Director, and other members included Mr. Ho and Mr. Iu, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange website and on the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules which requires the Audit Committee to comprise a minimum of three members, all of whom must be, non-executive directors. The Audit Committee must be chaired by an independent non-executive director. At least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group's consolidated financial statements for FY2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for FY2018 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

For FY2018, no annual general meeting was held, as the Company was newly listed on 14 March 2018. The forthcoming annual general meeting will be held on 24 August 2018.

No Board meeting and Board committees' meeting was held from the Listing Date (i.e. 14 March 2018) to 31 March 2018. The information below are details of all Directors' attendance at the Board meeting and Board committees' meeting held from the Listing Date to the date of this annual report:

| | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting |
|---|---|---|---|---|
| | Number of Meetings Attended/Held | | | |
| **Executive Directors** | | | | |
| Mr. Law Kwok Leung Alex | 2/2 | – | 2/2 | 1/1 |
| Mr. Law Kwok Ho Simon | 1/2 | – | – | – |
| Mr. Chiu Tat Ting Albert | 2/2 | – | – | – |
| **Independent non-executive Directors** | | | | |
| Mr. Ho Chun Chung Patrick | 2/2 | 2/2 | 2/2 | 1/1 |
| Mr. Iu Tak Meng Teddy | 2/2 | 2/2 | 2/2 | 1/1 |
| Mr. Kwan Ngai Kit | 2/2 | 2/2 | 2/2 | 1/1 |

## COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Tam as its Company Secretary. Ms. Tam possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Alex Law, an executive Director is the primary contact person who Ms. Tam contacts.

For FY2018, Ms. Tam had taken no less than 15 hours of relevant professional training to develop her skills and knowledge. The biographical details of Ms. Tam is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

## AUDITOR'S REMUNERATION

The Group's independent auditor is HLB Hodgson Impey Cheng Limited ("**HLB**"). The financial reporting responsibilities of the independent auditors are set out on pages 40 to 43 this annual report.

During the year, remuneration of approximately HK$950,000 was payable to HLB for the provision of audit services.

## SHAREHOLDERS' RIGHT

One of the measures to safeguard the shareholders' interest and rights is to separate resolutions proposed at the shareholders' meeting on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at the shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") pursuant to article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such articles for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the Company at the principal office of the Company in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management systems. It consists, in part, of organizational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's asset at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aiming at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedure which comprise the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each function or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2018 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during FY2018 as required under CG Code C.2.5. The Audit Committee and the Board, have considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has an adopted shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) Corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website www.hkexnews.hk and the Company's website www.asl.hk;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective website of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange view with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Since the Listing Date, there was no change to the Company's memorandum and articles of association.

# DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for FY2018.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of (i) air freight forwarding ground handling services and (ii) air cargo terminal operating services in Hong Kong. The Group provides air freight forwarding ground handling services to the customers, who are generally global logistics companies and major freight forwarding agents, with the facilities at the own rented warehouse of the Group premises in the Airport Freight Forwarding Centre.

There were no significant changes in the nature of the Group's principal activities during the year.

## FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past four financial years is set out on page 84 of the annual report.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. In preparation of the Listing, the companies now comprising the Group underwent the corporate reorganisation (the "**Reorganisation**") pursuant to which the Company became the holding company of the Group on 21 February 2018. For details of the Reorganisation, please refer to the paragraph headed "History, Development and Reorganisation" in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 14 March 2018.

## RESULTS AND DIVIDENDS

The result of the Group for FY2018 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 44 to 83 of this annual report. The Board does not recommend the payment of a final dividend for FY2018.

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 24 August 2018 (the "**2018 AGM**"). For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Tuesday, 21 August 2018 to Friday, 24 August 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2018 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 August 2018.

## BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements. No important event affecting the Group has occurred since the Listing Date (i.e. 14 March 2018) up to the date of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the FY2018 are set out in Note 14 to the consolidated financial statements.

## DONATION

There are no charitable donations for FY2018 (FY2017: Nil).

## SHARE CAPITAL

Details of the Company's share capital are set out in Note 20 to the consolidated financial statements.

## SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company that to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees of the Company, the Directors and other selected participants for their contributions to the Group. The Company has conditionally adopted the Share Option Scheme on 21 February 2018. Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV of the Prospectus.

For FY2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

## RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 31(b) to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which could oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

As disclosed in the Prospectus, prior to the Listing, one non-exempt continuing connected transaction agreement has been entered into and will continue to be carried out between the Company and Gobo Trade Limited ("**Gobo Trade**"). Gobo Trade is a company owned as to 20% by Mr. Anthony Law and 80% by a company owned as to 40%, 30% and 30% by Mr. Alex Law, Mr. Simon Law and Mr. Anthony Law, respectively. Gobo Trade is therefore a connected person of the Company under the Listing Rules. The principal business of Gobo Trade is trading of commercial packaging materials.

The agreement entered into between the Company and Gobo Trade prior to the Listing for a term ending on 31 March 2020, pursuant to which Gobo Trade has agreed to provide packaging material to the Group from time to time in respond to purchase initiated by the Group by sending corresponding purchase orders. Taking into account that the Group has established good and long-standing relationships with Gobo Trade and has purchased packaging materials from Gobo Trade since 2012. The packaging materials purchased from Gobo Trade in the past satisfied the quality requirement of the Group and were delivered in accordance with the specified time frame without major delay.

The Directors, including the independent non-executive Directors, consider that the continuing connected transactions above and their respective annual caps are fair and reasonable, and such transactions have been and will be entered into in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, details of all the fully exempted and non-exempted continuing connected transactions set out in Note 28 to the consolidated financial statements that falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## DISTRIBUTABLE RESERVE

The Company's distributable reserve as at 31 March 2018 is set out in the consolidated statement of changes in equity.

## MAJOR CUSTOMERS AND SUPPLIERS

During FY2018, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 49%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 98%.

During FY2018, the percentage of the Group's largest subcontractor was approximately 46% of the total direct costs for the period, while the percentage of the Group's five largest suppliers and subcontractors accounted for approximately 63% of the total direct costs.

None of the Directors, or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

## DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

**Executive Directors**

| | |
|---|---|
| Mr. Law Kwok Leung Alex *(Chairman)* Note 1 | (Appointed on 7 July 2016) |
| Mr. Law Kwok Ho Simon Note 2 | (Appointed on 7 July 2016) |
| Mr. Chiu Tat Ting Albert *(Chief Executive Officer)* Note 3 | (Appointed on 7 July 2016) |

**Independent Non-executive Directors**

| | |
|---|---|
| Mr. Ho Chun Chung Patrick | (Appointed on 21 February 2018) |
| Mr. Iu Tak Meng Teddy | (Appointed on 21 February 2018) |
| Mr. Kwan Ngai Kit | (Appointed on 21 February 2018) |

In accordance with the Company's articles of association, at each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Note 1: Mr. Law Kwok Leung Alex was appointed as a Director on 7 July 2016 and was re-designated to be the executive Director and the Chairman on 3 July 2017.

Note 2: Mr. Law Kwok Ho Simon was appointed as a Director on 7 July 2016 and was re-designated to be the executive Director on 3 July 2017.

Note 3: Mr. Chiu Tat Ting Albert was appointed as a Director on 7 July 2016 and was re-designated to be the executive Director and the Chief Executive Officer on 3 July 2017.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 12 of this annual report.

## PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus and in this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the year.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 7 and 8 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2018 falls within the following band:

| Remuneration band | Number of senior management |
|---|---|
| Up to HK$1,000,000 | 3 |

## EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and variable component (which include discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once every year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

## RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2018 are set out in Note 7 to the consolidated financial statements of this annual report.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts or significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## MANAGEMENT CONTRACTS

As at 31 March 2018, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

## DIRECTORS' REMUNERATION

The Directors' remuneration is determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group, and reviewed by the remuneration committee of the Group. Particulars of the duties and responsibilities of the remuneration committee are set out in "Corporate Governance Report" of this annual report.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures of the Company" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of the Company's subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 31 March 2018, the interests and short positions of the Directors and chief executives 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 Securities and Future Ordinance (the "**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 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), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

| Name | Capacity/ Nature of interest | Number of shares of the Company held/ interested | Percentage of shareholding |
|---|---|---|---|
| Mr. Alex Law Note 1 | Interest of a controlled corporation | 750,000,000 | 75.0% |
| Mr. Simon Law Note 2 | Interest of a controlled corporation | 225,000,000 | 22.5% |
| Mr. Albert Chiu Note 3 | Interest of a controlled corporation | 75,000,000 | 7.5% |

Notes:

1. Mr. Alex Law beneficially owns 60% of the issued share capital of Dynamic Victor Limited ("**Dynamic Victor**"). Therefore, Mr. Alex Law is deemed, or taken to be, interested in all the shares of the Company held by Dynamic Victor for the purpose of the SFO.

2. Mr. Simon Law beneficially owns 30% of the issued share capital of Dynamic Victor. Therefore, Mr. Simon Law is deemed to be interested in 225,000,000 shares of the Company held by Dynamic Victor.

3. Mr. Albert Chiu beneficially owns 10% of the issued share capital of Dynamic Victor. Therefore, Mr. Albert Chiu is deemed to be interested in 75,000,000 shares of the Company held by Dynamic Victor.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as known to the Directors or chief executive of the Company, as at 31 March 2018, the following person/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

**Long positions in ordinary share and underlying shares of the Company**

| Name | Capacity/ Nature of interest | Number of shares of the Company held/interested | Percentage of shareholding |
|---|---|---|---|
| Dynamic Victor | Beneficial owner | 750,000,000 | 75.0% |
| Ms. Lau Lai Ha Sunshine Note 1 | Interest of spouse | 750,000,000 | 75.0% |
| Ms. Choi Yuen Lam Bonnie Note 2 | Interest of spouse | 75,000,000 | 7.5% |

Notes:

1. Ms. Lau Lai Ha Sunshine is the spouse of Mr. Alex Law. Therefore, Ms. Lau Lai Ha Sunshine is deemed, or taken to be interested in all the shares of the Company in which Mr. Alex Law is interested for the purpose of the SFO.

2. Ms. Choi Yuen Lam Bonnie is the spouse of Mr. Albert Chiu. Therefore, Ms. Choi Yuen Lam Bonnie is deemed, or taken to be interested in all the shares of the Company in which Mr. Albert Chiu is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2018, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debenture of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during FY2018.

## COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company ("**Controlling Shareholders**") or their respective close associates has been engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group during FY2018.

### Non-Competition Undertakings

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Alex Law, Mr. Simon Law, Mr. Albert Chiu and Dynamic Victor mentioned on page 24 (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and as trustee of its subsidiaries) on 21 February 2018. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

During the year, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

## CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 19 of this annual report.

## EQUITY-LINKED AGREEMENTS

Save as "Share Option Scheme" disclosed on page 21 of this annual report, there were no equity-linked agreement entered into by the Company during FY2018.

## SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information available in the public domain concerning the Company, at least 25% of the Company's issued share capital was held by the public as at the date of this annual report.

## AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the independent non-executive Directors of the Company.

The summary of duties and works of the audit committee is set out in the Corporate Governance Report on pages 13 to 19 of this annual report.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

## AUDITORS

HLB Hodgson Impey Cheng Limited will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
**Law Kwok Leung Alex**
*Chairman*

Hong Kong, 25 June 2018

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

A & S Group (Holdings) Limited and its subsidiaries (collectively the "Group") are engaged in the provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong.

The Group provides air freight forwarding ground handling services to the customers, who are generally global logistics companies and major freight forwarding agents, with the facilities at the Group's rented warehouse premises in the Airport Freight Forwarding Centre (collectively "AFFC"). Also, the Group also provides air cargo terminal operating services at the Cathay Pacific Cargo Terminal (collectively "CPCT"), being one of the three air cargo terminals operating in Hong Kong, to work with its built-in various computerised handling systems.

While striving for better performance, the Group pursues business sustainability by being a responsible corporate citizen and is committed to maintaining high standards of business practices in relation to environmental protection, social responsibility and corporate governance.

## ABOUT THE REPORT

This report is the first "Environmental, Social and Governance Report" (collectively the "Report") published by the Group, which discloses the Group's measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders' confidence and understanding of the Group.

## REPORTING YEAR

All the information in the Report reflects the performance of the Group in environmental management and social responsibility from 1 April 2017 to 31 March 2018 (the "Reporting Period"). In the future, the Group will release an Environment, Social and Governance Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

## REPORTING SCOPE

Based on the principle of materiality for disclosure and reporting, this report focuses primarily on the Group's air freight forwarding operations in Hong Kong, as well as the headquarter office. After the comprehensive completion of data collection system and the Group's deepening in its environmental, social and governance work, the Group is able to disclose various environmental and health and safety Key Performance Indicators (hereinafter collectively referred to as the "KPIs") for all the sites operated during the Reporting Period.

## REPORTING STANDARDS

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" ("ESG Guide") of the Stock Exchange set out in Appendix 27 of the Main Board Listing Rules. The Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the Report is derived from the Group's official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group.

## STAKEHOLDER ENGAGEMENT

The HKEX has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the Report. As the HKEX emphasises, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

For the Group, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include employees, management and directors, as well as external stakeholders such as clients, business partners, investors, regulatory authorities and various types of community groups. In the past year, we communicated with the key stakeholders through a variety of methods. While preparing the report, we commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interview. With expert advice, we identified the material aspects for this report and these will in turn guide the formulation of the Group's sustainability roadmap.

| **Internal stakeholders** | **External stakeholders** |
|---|---|
| New staff | Shareholders |
| All current staff | Investors |
| Line management | Bank |
| Senior management | Customers |
| Board of Directors and senior management | Governments |

**Engagement methods**

**Newcomer orientation, email, mail, telephone, direct communication, interviews, meetings, annual general meetings, annual meetings, training sessions and performance reviews, group websites, annual report, financial statements, announcements, related laws and regulations updates**

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions of stakeholders through different forms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define content of the Report and presentation of the information that is more in line with the expectations of stakeholders.

## ENVIRONMENT PROTECTION

The Group is committed to sustainable development and preservation of resources. We recognise that the long-term viability of the Group's business is closely linked with the well-being of the society. We strive to minimise the potential impacts of our business on the environment and society in which we operate.

## EMISSIONS

**Emissions from vehicle usage**

During our operation, the usage of private cars also generates the emission of sulphur oxides (SOx), nitrogen oxides (NOx) and particular matters. The approximate amount of NOx, SOx and particular matters produced from our operation in Hong Kong are shown in the table below:

**Environmental Key Performance Indicators**

| Region | Types of Cars | Number of Cars |
|---|---|---|
| Hong Kong | Private Cars | 8 |

| Region | Air Emission | Volume (Tonnes) |
|---|---|---|
| Hong Kong | NOx | 0.01 |
| | SOx | 0.0002 |
| | Particulate | 0.0005 |

In respect of reducing the NOx, SOx and particular matters emissions, the Group is committed to reducing and ensuring the efficient usage of private cars. The Group has implemented the following measures so as to achieve the environmental friendly approach; i) avoid peak hour traffic; ii) encourage the use of public transport; and iii) utilise the vehicle usage by carpooling with different staff.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions in the course of production and vehicle usage.

**Greenhouse Gas Emission-Scope 1 – Combustion of fuels in mobile sources controlled by the Group**

During the air freight forwarding operations, due to the intense usage of trucks to perform the logistics services, a certain amount of greenhouse gases is produced.

The Group strictly controls the emission of greenhouse gases through the establishment of a comprehensive data collection system. Besides, the Group has also equipped all trucks with GPS system so that the driving routes can be recorded and traced easily. These measures help the Group to monitor the monthly usage of all trucks to maintain the efficiency at a prominent level.

The approximate amount of carbon dioxide ($CO_2$), methane ($CH_4$) and nitrous oxides ($N_2O$) produced from our operation in Hong Kong are shown in the table below:

**Environmental Key Performance Indicators**

| Region | Types of Cars | Number of Cars |
|---|---|---|
| Hong Kong | Light goods vehicles (3.5-5.5 tonnes) | 5 |
| | Medium & Heavy goods vehicles (5.5-15 tonnes) | 6 |
| | Medium & Heavy goods vehicles (more than 15 tonnes) | 48 |
| Total | | 59 |

| Region | Air Emission | Volume (Tonnes) |
|---|---|---|
| Hong Kong | $CO_2$ | 1,286.11 |
| | $CH_4$ | 1.45 |
| | $N_2O$ | 15.40 |

**Greenhouse Gas Emission-Scope 2-Electricity purchased from power companies**

Apart from the direct emission of particular matters and fumes, we have also incurred indirect greenhouse gases emissions (Scope 2), principally resulting from electricity consumed at the rented warehouse premises in the AFFC and back offices. In respect to the approximate indirect amount of $CO_2$ generated from our electrical usage, the figures are shown in the table below:

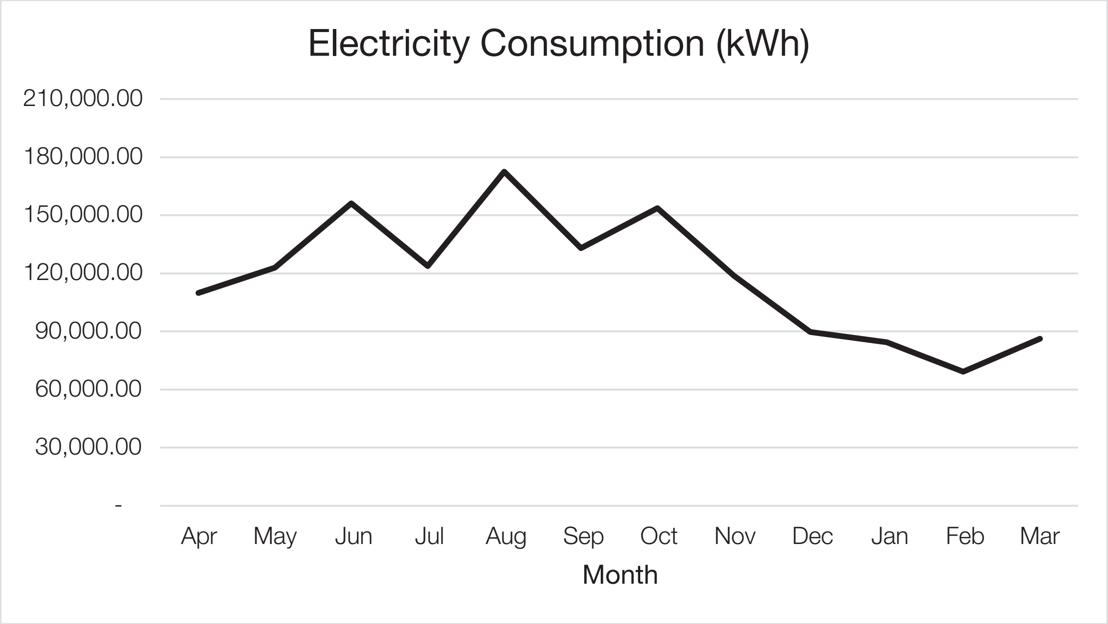
| Region | Electricity consumption (kWh) | Volume (Tonnes) |
|---|---|---|
| Hong Kong | 1,420,417 | 767.03 |

## USE OF RESOURCES

The Group adheres to the concept of energy conservation and emission reduction for green business. The major resources used by the Group are principally attributed to electricity and water consumed in the AFFC and back offices; We aim to improve our energy utilisation efficiency to achieve low-carbon practices and emission reduction throughout our operation and strive to save the resources.

The Group determines to maximise energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste. Switch off idle lightings, electrical appliances, as well as electronic devices (including but not limited to computers, printers, photocopiers and air conditioners). Moreover, the Group uses LED lighting in various areas of the Group's rented premises.

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The monthly electricity consumption in kilowatt hour (kWh) is shown below:



The total electricity consumption in kWh by region is shown in the table below:

| Region | Electricity consumption (kWh) |
|---|---|
| Hong Kong | 1,420,417 |

**The Environment and Natural Resources**

To develop a green approach at the AFFC and offices, we have developed the following measures for our daily operation so as to minimise the impact brought to the environmental and natural resources consumption.

**AFFC and office equipment**

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Return used toner cartridges to respective suppliers for recycling
- All windows and doors must be close when the air-conditioners turn on
- Affix save energy posters near the main switches in order to remind our employees of energy saving; and
- The last-man-out is dedicated to check and turn off all machines and equipment

**Lighting**

- Switch off non-essential lighting if there are only few people working in the office or forward centre; and
- The last-man-out is dedicated to check and turn off all lighting of the forward centre and offices

**Other practice**

- Encourage duplex printing, reuse of single-side used paper; and
- Refill instead of buying new pen when used up

## PEOPLE

**Employment**

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and dismissal, recruitment and promotion, working hours adjustment, appraisal, training and benefits.

The Group has always strictly observed the relevant legislations in Hong Kong regarding the equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance" and the "Minimum Wage Ordinance".

The Group has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure no employment of child labour and forced labour in any form. The Group also strives to establish harmonious labour relationships. Therefore, the percentage of new recruits to total number of employees and ratio of employee turnover to total number of employees are maintained at a low level generally.

During the year, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices.

**Employment Key Performance Indicators (Employee)**

**Number of employees**

| Gender | Age below 30 | Age 30-50 | Age over 50 | Number of employees by gender | Total number of employees | Ratio of number of male to female employees |
|---|---|---|---|---|---|---|
| Male | 69 | 192 | 114 | 375 | 539 | 0.4: 1 |
| Female | 52 | 86 | 26 | 164 | | |

**Employee recruit**

| Gender | Age below 30 | Age 30-50 | Age over 50 | Number of new recruits by gender | Total number of new recruits | Percentage of new recruits to total number of employees |
|---|---|---|---|---|---|---|
| Male | 21 | 21 | 7 | 49 | 100 | 19% |
| Female | 29 | 18 | 4 | 51 | | |

**Employee turnover**

| Gender | Age below 30 | Age 30-50 | Age over 50 | Staff turnover by gender | Total staff turnover | Ratio of employee turnover to total number of employees |
|---|---|---|---|---|---|---|
| Male | 49 | 44 | 20 | 113 | 181 | 34% |
| Female | 39 | 23 | 6 | 68 | | |

## HEALTH AND SAFETY

The Group is an investment holding company located in Hong Kong and the nature of the daily operation is mainly office-based where the safety risk is limited. The Group has equipped its office with suitable fire-fighting facilities like fire extinguishers.

The Group's subsidiary in Hong Kong is engaged in the provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong. The Group strongly believes that ensuring the provision of a safe working environment for the employees is the most important social responsibility to its shareholders, employees and the community where it situates. Therefore, the Group has always regarded that as one of the top priorities in corporate management. Sound management systems have been established in occupational health and safety.

Daily operations are inspected by relevant department assigned by the Group, against the established risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits. Any non-compliance will also be identified and rectified on a timely basis.

The Group provides employees with occupational health and safety trainings according to OHSAS 18001 Standards. The Group devises a series of requirements for workplace environmental control and hygiene at workplaces pursuant to the Occupational Safety and Health Ordinance.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the Reporting Period was extremely low with zero fatal accident.

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

**Health and Safety Key Performance Indicators (Employee)**

| Number of work injuries | Rate of work injury (per hundred employees) |
|---|---|
| 22 | 0.22 |

## DEVELOPMENT AND TRAININGS

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in job-related training and courses. During the year, we formulate quality management training programs to update our staff with the most updated standard of ISO 9001 in order to maintain the highest standard of professionalism by our employees. The program includes quality assurance training in the production process, inspection assurance of the materials received from suppliers, health and safety precautions in using production equipment and machinery as well as customer relationship management.

In daily operation, the Group provides comprehensive on-the-job training and clear career paths to the employees. In addition, induction coaching is provided to all the new staff members and experienced employees act as mentors to guide new comers. We believe such arrangement can facilitate communication and team spirit, improve technical skills and managerial capability and encourage the learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which we believe that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

## LABOUR STANDARDS

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance in Hong Kong. We have also developed rigorous and systematic measures for approval and selection, to prevent ourselves from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges the employees' working hours based on the statutory working hour standards and allows them to be entitled paid leaves and sick leaves in accordance with labour laws.

During the Reporting Period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

## SUPPLY CHAIN MANAGEMENT

The Group implements supplier management in accordance with internal guidance which governs the engagement of suppliers. Suppliers are chosen subjecting to screening and evaluation procedures among the suppliers, based on the quality and price. Also, to ensure supplier capability in quality assurance, safety and environmental responsibility, field visit and investigation is conducted, which includes a comprehensive quality management system and are accredited with ISO 9001 standards. The investigation reviews the quality assurance capabilities and supply capacity if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the supplier selection by the Group. The Group also carries out regular assessment on suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products and services and compliance with law and regulations.

As customers are becoming more concerned about environmental issues, and stress the importance of using environmentally friendly materials and services, the Group will continue to act as a corporate citizen in communicating and stressing those environmental issues to our suppliers. We aim at strengthening the cooperation with suppliers, coordinating with them in product trials, and working with them to produce socially responsible services.

Each supplier is reviewed at least once every year or after completion of their contracts. In cases of major non-performance of an approved sub-contractor or supplier, the Group will review their suitability to remain on the approved list.

## PRODUCT RESPONSIBILITY

The Group is committed to providing high-quality services and guarantees that the quality is in line with quality standards and sustainability requirements. We also pursue to meet higher criteria all the time. The Group has always been focusing on quality control in project construction since its incorporation. In respect of human resources, we have a team of managers with rich experience in logistics industry. In respect of systems, we own a quality management system in accordance with the ISO 9001 standard, which establishes the procedure to manage the non-conformity detected during the process to provide logistic services. When non-conforming work is identified, the Group will review the situation and stop these below standard works from continuing or re-occurring. If the defect is likely to recur, the Group will implement remedial action and more closely supervise this work whenever practicable. The Group also carries out trainings and established a management system covering various aspects including management of quality of logistic staff, management of the Group's van and quality management system, so as to ensure the timely and efficient completion of our services.

## ANTI-CORRUPTION

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

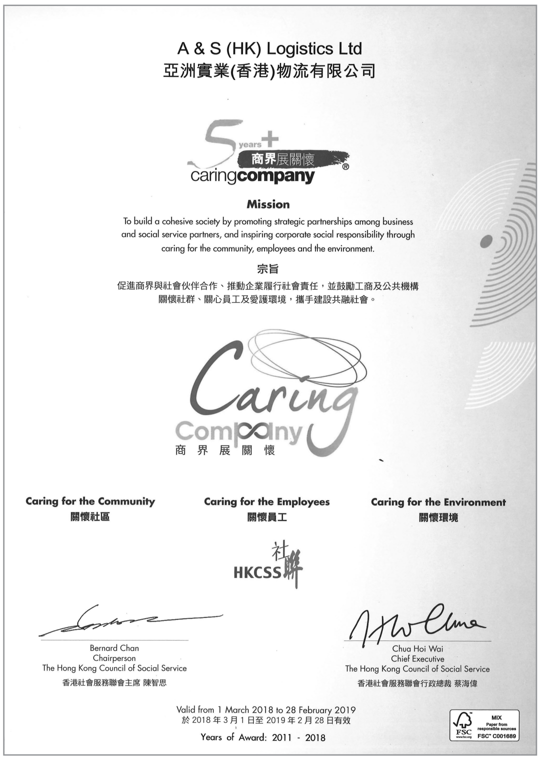
The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the Company's senior management any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employees' handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserves the right to take further legal actions against such person.

During the Reporting Period, we have complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

## COMMUNITY INVESTMENT

The Group is committed to creating sustainable prosperity that brings long-term social and economic benefits to all stakeholders, particularly maintaining the relationship with interest groups which are relevant to business operation. The Group has been actively involved in charitable activities in the communities and cities where our offices are operating, and encourages the employees to participate in in-house or external community activities. During the Reporting Period, the Group has participated in the distribution of surprise grab bag to the elderly which is organised by the Hong Kong Sheng Kung Hui.

Besides, the Group has also been awarded as the 5 Years Plus Caring Company for the community, employees and environment. Different kinds of assessment and interview in various aspects such as volunteering, mentoring, employee work-life balance, employee safety and environmental protection practices have been performed by the Caring Company Scheme. Efforts performed by the Group have been acknowledged to help in promoting strategic partnerships among business and social service partners, increasing the awareness and inspiring corporate social responsibility through caring for the community, employees and the environment.


A & S (HK) Logistics Ltd
亞洲實業(香港)物流有限公司

5 years+ 商界展關懷 caringcompany

**Mission**

To build a cohesive society by promoting strategic partnerships among business and social service partners, and inspiring corporate social responsibility through caring for the community, employees and the environment.

宗旨

促進商界與社會伙伴合作、推動企業履行社會責任，並鼓勵工商及公共機構關懷社群、關心員工及愛護環境，攜手建設共融社會。

Caring Company 商界展關懷

**Caring for the Community** 關懷社區
**Caring for the Employees** 關懷員工
**Caring for the Environment** 關懷環境

HKCSS 社聯

Bernard Chan
Chairperson
The Hong Kong Council of Social Service
香港社會服務聯會主席 陳智思

Chua Hoi Wai
Chief Executive
The Hong Kong Council of Social Service
香港社會服務聯會行政總裁 蔡海偉

Valid from 1 March 2018 to 28 February 2019
於 2018 年 3 月 1 日至 2019 年 2 月 28 日有效

Years of Award: 2011 - 2018

FSC MIX Paper from responsible sources FSC™ C001689

The Group will continue to explore other means to contribute more to the environment and strive to facilitate the building of a healthy and sustainable society in the future.

## ENVIRONMENTAL PERFORMANCE INDICATORS

### Aspect A1: Emissions

| Performance indicator | | 2017/18 Data | HKEx ESG Reporting Guide KPI |
|---|---|---|---|
| **Emission** | Total nitrogen oxides (NOx) emission (g) | 6,869.97 | KPI A1.1 |
| | Total sulphur oxides (SOx) emission (g) | 152.49 | KPI A1.1 |
| | Total particular matters (PM) emission (g) | 502.82 | KPI A1.1 |
| | Total carbon dioxide ($CO_2$) emission (tonnes) | 2,053.14 | KPI A1.1 |
| | Total methane ($CH_4$) emission (tonnes) | 1.45 | KPI A1.1 |
| | Total nitrous oxides ($N_2O$) emission (tonnes) | 15.40 | KPI A1.1 |

**Aspect A2: Use of resources**

| Performance indicator | | 2017/18 Data | HKEx ESG Reporting Guide KPI |
|---|---|---|---|
| Electricity | Total electricity consumption (kWh) | 1,420,417 | KPI A2.1 |

## SOCIAL

**Aspect B1: Employees**

| Performance indicator | | 2017/18 Data | HKEx ESG Reporting Guide KPI |
|---|---|---|---|
| **Employee recruit** | Gender | | KPI B1.1 |
| | – Male employees (person) | 49 | |
| | – Female employees (person) | 51 | |
| **Number of employees** | Type of Employee | | KPI B1.1 |
| | – Senior management (person) | 5 | |
| | – Middle management (person) | 21 | |
| | – General staff (person) | 513 | |
| | Age | | KPI B1.1 |
| | – Below 30 years old | 121 | |
| | – Between 30 to 50 years old | 278 | |
| | – Over 50 years old | 140 | |
| | Region | | KPI B1.1 |
| | – Hong Kong | 539 | |
| **Employee turnover** | Gender | | KPI B1.2 |
| | – Male employees (person) | 113 | |
| | – Female employees (person) | 68 | |
| | Age | | KPI B1.2 |
| | – Below 30 years old | 88 | |
| | – Between 30 to 50 years old | 67 | |
| | – Over 50 years old | 26 | |
| | Region | | KPI B1.2 |
| | – Hong Kong | 181 | |

**Aspect B2: Health and safety**

| Performance indicator | 2017/18 Data | HKEx ESG Reporting Guide KPI |
|---|---|---|
| Number of work injuries (person) | 22 | KPI B2.1 |
| Rate of work injury (per hundred employees) | 0.22 | KPI B2.1 |

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**TO THE SHAREHOLDERS OF A & S GROUP (HOLDINGS) LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of A & S Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 83, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2018, 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 Auditors' 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.

## KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| ***Valuation of trade receivables*** | |
| Refer to Note 16 to the consolidated financial statements.<br><br>As at 31 March 2018, trade receivables amounted to approximately HK$90,760,000.<br><br>We identified the valuation of trade receivables as a key audit matter due to the size of the balance and the use of judgement and estimates in assessing the recoverability of trade receivables.<br><br>In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables. | Our procedures included:<br><br>• obtaining an understanding of how management perform credit monitoring and estimate allowance for doubtful debts;<br><br>• testing on a sample basis the outstanding balances by agreeing the balances to underlying correspondence;<br><br>• testing the propriety of the ageing of trade receivables at year end to the supporting documents on a sample basis; and<br><br>• testing the subsequent settlements of the trade receivables balance to cash/bank receipts on a sample basis. |

## 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 auditors' 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 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITORS' 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 auditors' report that includes our opinion. This report is made solely to you, as a body, 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism 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 auditors' 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 auditors' 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.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 auditors' 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.

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*

**Chan Ching Pang**
Practising Certificate Number: P05746

Hong Kong, 25 June 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

| | Note | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| Revenue | *5* | **474,690** | 430,093 |
| Direct costs | | **(402,128)** | (346,845) |
| Gross profit | | **72,562** | 83,248 |
| Other income and gains | *5* | **3,516** | 3,328 |
| Administrative and other operating expenses | | **(57,910)** | (43,404) |
| Operating profit | | **18,168** | 43,172 |
| Finance costs | *9* | **(866)** | (1,362) |
| Profit before tax | *6* | **17,302** | 41,810 |
| Income tax expense | *10* | **(5,163)** | (7,597) |
| Profit and total comprehensive income for the year attributable to owners of the Company | | **12,139** | 34,213 |
| Basic and diluted earnings per share | *11* | **HK1.6 cents** | HK4.6 cents |

Details of dividends are disclosed in Note 13 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *14* | **13,208** | 6,845 |
| **Current assets** | | | |
| Trade receivables | *16* | **90,760** | 83,312 |
| Other receivables, deposits and prepayments | *17* | **15,664** | 10,539 |
| Amounts due from related companies | *18* | **28** | 464 |
| Pledged deposit | *19* | **3,000** | 3,000 |
| Cash and bank balances | *19* | **142,245** | 58,095 |
| Tax recoverable | | **1,558** | – |
| | | **253,255** | 155,410 |
| **Total assets** | | **266,463** | 162,255 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | *20* | **10,000** | – |
| Reserves | | **179,639** | 80,379 |
| **Total equity** | | **189,639** | 80,379 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Finance lease liabilities | *22* | **–** | 257 |
| Deferred tax liabilities | *23* | **1,047** | – |
| | | **1,047** | 257 |
| **Current liabilities** | | | |
| Trade payables | *24* | **9,720** | 10,664 |
| Accruals and other payables | *24* | **20,105** | 18,770 |
| Amounts due to directors | *25* | **–** | 20,081 |
| Bank and other borrowings | *22* | **45,952** | 25,545 |
| Finance lease liabilities | *22* | **–** | 1,743 |
| Tax payable | | **–** | 4,816 |
| | | **75,777** | 81,619 |
| **Total liabilities** | | **76,824** | 81,876 |
| **Total equity and liabilities** | | **266,463** | 162,255 |
| **Net current assets** | | **177,478** | 73,791 |
| **Total assets less current liabilities** | | **190,686** | 80,636 |

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 June 2018 and signed on its behalf by:

| | |
|---|---|
| **Mr. Law Kwok Leung Alex** | **Mr. Law Kwok Ho Simon** |
| *Director* | *Director* |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

| | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|
| | **Share capital HK$'000** *(Note 20)* | **Share premium HK$'000** | **Merger reserve HK$'000** *(Note a)* | **Retained earnings HK$'000** | **Total equity HK$'000** |
| Balance at 1 April 2016 | – | – | – | 46,166 | 46,166 |
| Profit and total comprehensive income for the year | – | – | – | 34,213 | 34,213 |
| Balance at 31 March 2017 | – | – | – | 80,379 | 80,379 |
| Balance at 1 April 2017 | – | – | – | 80,379 | 80,379 |
| Profit and total comprehensive income for the year | – | – | – | 12,139 | 12,139 |
| | – | – | – | 92,518 | 92,518 |
| Dividends *(Note 13)* | – | – | – | (11,000) | (11,000) |
| Reorganisation | 1 | – | (1) | – | – |
| Shares issued pursuant to the capitalisation issue | 7,499 | (7,499) | – | – | – |
| Shares issued under share offer | 2,500 | 117,500 | – | – | 120,000 |
| Shares issuance costs | – | (11,879) | – | – | (11,879) |
| **Balance at 31 March 2018** | **10,000** | **98,122** | **(1)** | **81,518** | **189,639** |

Note:

a. The merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Reorganisation (as defined in Note 1 to the consolidated financial statements).

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from operations | *26(a)* | 11,858 | 48,487 |
| Tax paid | | (10,490) | (3,571) |
| **Net cash generated from operating activities** | | 1,368 | 44,916 |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | 392 | – |
| Purchases of property, plant and equipment | | (12,191) | (2,448) |
| Increase in pledged deposit | | – | (3,000) |
| **Net cash used in investing activities** | | (11,799) | (5,448) |
| **Cash flows from financing activities** | | | |
| Proceeds from share offer | | 120,000 | – |
| Shares issuance costs | | (11,879) | – |
| Repayment of finance leases | | (2,000) | (3,875) |
| Drawdown of bank borrowings | | 35,853 | 15,000 |
| Repayment of bank borrowings | | (7,446) | (8,358) |
| Drawdown of other borrowings | | – | 15,000 |
| Repayment of other borrowings | | (8,000) | (7,000) |
| Interest paid on finance leases | | (35) | (133) |
| Interest paid on bank and other borrowings | | (831) | (1,229) |
| Decrease in amounts due to directors | | (29,981) | (9,998) |
| Dividends paid | | (1,100) | – |
| **Net cash generated from/(used in) financing activities** | | 94,581 | (593) |
| **Net increase in cash and cash equivalents** | | 84,150 | 38,875 |
| **Cash and cash equivalents at beginning of year** | | 58,095 | 19,220 |
| **Cash and cash equivalents at end of year** | | 142,245 | 58,095 |

The accompanying notes form an integral part of these consolidated financial statements.

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 14 March 2018. Its parent and ultimate holding company is Dynamic Victor Limited, a company incorporated in the Republic of Seychelles (the "Seychelles") and owned as to 60% by Mr. Law Kwok Leung Alex ("Mr. Alex Law"), 30% by Mr. Law Kwok Ho Simon ("Mr. Simon Law") and 10% by Mr. Chiu Tat Ting Albert ("Mr. Albert Chiu") (collectively referred to as the "Controlling Shareholders").

The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the Company's principal place of business is Room 11, 14th Floor, Tower 2, Ever Gain Plaza, 88 Container Port Road, Kwai Chung, New Territories, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Reorganisation"), the group entities were collectively controlled by the Controlling Shareholders. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 21 February 2018. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the common control of the Controlling Shareholders prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. All values are rounded to nearest thousand (HK$'000) except when otherwise indicated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 June 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### *2.1.1 Changes in accounting policy and disclosures*

*(a) New and amended standards adopted by the Group*

The following amendments to existing standards are effective to the Group for accounting periods beginning on or after 1 April 2017 but did not result in any significant impact on the results and financial position of the Group.

| | |
|---|---|
| HKAS 7 (Amendments) | Disclosure Initiative |
| HKAS 12 (Amendments) | Recognition of Deferred Tax Assets for Unrealised Losses |
| HKFRS 12 (Amendments) | Disclosure of Interest in Other Entities |

None of the above amendments to HKFRSs has had a material impact on the Group's financial performance and positions for the period presented in these financial statements. Disclosure has been made in Note 26(c) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

*(b) New accounting standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

A number of new standards and amendments to standards and interpretations are effective for accounting periods beginning on or after 1 April 2018, and have not been applied in preparing these consolidated financial statements.

| | | Effective for the accounting periods beginning on or after |
|---|---|---|
| HKFRS 2 (Amendments) | Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| HKFRS 4 (Amendments) | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts | 1 January 2018 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 9 (Amendments) | Prepayment Features with Negative Compensation | 1 January 2019 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate and Joint Venture | To be determined |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 15 (Amendments) | Clarifications to HKFRS 15 | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| HKAS 28 (Amendments) | Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| HKAS 40 (Amendments) | Transfers of Investment Property | 1 January 2018 |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014-2016 Cycle | 1 January 2018 |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle | 1 January 2019 |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### *2.1.1 Changes in accounting policy and disclosures (continued)*

*(b) New accounting standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)*

*HKFRS 9 Financial Instruments*

HKFRS 9 replaces the whole of HKAS 39 *Financial Instruments: Recognition and Measurement*. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on the ECL model either on a twelve-month basis or a lifetime basis.

The Group does not expect the adoption of HKFRS 9 will have a significant impact on the classification of financial instruments and the Group's financial performance and financial position, including the measurement of financial assets and disclosures, except for the adoption of the ECL model may result in earlier recognition of credit losses of the Group's receivables. The Group expects to apply simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of ECL on its trade and other receivables upon the adoption of HKFRS 9.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### *2.1.1 Changes in accounting policy and disclosures (continued)*

*(b) New accounting standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)*

*HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces 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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### *2.1.1 Changes in accounting policy and disclosures (continued)*

*(b) New accounting standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)*

*HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements. Total operating lease commitment of the Group as at 31 March 2018 amounted to approximately HK$70,072,000 (Note 27(b)). The management of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except as discussed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

### 2.2 Subsidiaries

#### *2.2.1 Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (continued)

#### *2.2.1 Consolidation (continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid/received and the relevant share of the carrying amount of net assets of the subsidiary acquired/disposed of is recorded in equity.

#### *2.2.2 Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

### 2.3 Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

### 2.5 Foreign currency translation

***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

### 2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

| | |
|---|---|
| – Leasehold improvements | Over lease term |
| – Warehouse operating equipment | 30% |
| – Furniture, fixtures and office equipment | 20%-30% |
| – Trucks, pallet trucks and motor vehicles | 30% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income.

### 2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Leases

***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

***The Group as lessee***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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.

### 2.9 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amounts due from related companies" and "cash and bank balances" in the consolidated statement of financial position.

### 2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

### 2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed and loans granted to customers in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

### 2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.16 Borrowing costs

General and specific 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.

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.

### 2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Retirement benefits

Payment to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

### 2.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

### 2.20 Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

### 2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables represents amounts receivable for services provided in the ordinary course of business.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue from the provision of logistics services, including air freight forwarding ground handling services and air cargo terminal operating services, is recognised in the accounting period in which the services rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

### 2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Group's shareholders or directors, where appropriate.

### 2.24 Related Parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 Related Parties (continued)

*(b) the party is an entity where any of the following conditions applies: (continued)*

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in this dealings with entity.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

***(i) Interest rate risk***

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 March 2018, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately HK$460,000 (2017: HK$177,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### *(ii) Credit risk*

Credit risk arises mainly from trade and other receivables, amounts due from related companies and cash and cash equivalents (excluding bank overdrafts). The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented 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 receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2018, there were two (2017: two) customers which individually contributed over 10% of the Group's trade receivables. The aggregate amounts of trade receivables from these customers amounted to 87% (2017: 95%) of the Group's total trade receivables as at 31 March 2018.

#### *(iii) Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of each reporting period) and the earliest date the Group may be required to pay. Specifically, bank loans with a repayment on demand clause give the bank the unconditional right to call in the loan at any time. Therefore, for the purpose of the below maturity profile, the amounts are classified as "On demand".

| | On demand or within one year HK$'000 | Between one and two years HK$'000 | Between two and five years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 31 March 2018** | | | | |
| Trade payables | 9,720 | – | – | 9,720 |
| Accruals and other payables | 20,105 | – | – | 20,105 |
| Bank borrowings | 46,958 | – | – | 46,958 |
| | 76,783 | – | – | 76,783 |

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

***(iii) Liquidity risk (continued)***

| | On demand or within one year HK$'000 | Between one and two years HK$'000 | Between two and five years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 31 March 2017** | | | | |
| Trade payables | 10,664 | – | – | 10,664 |
| Accruals and other payables | 18,770 | – | – | 18,770 |
| Amounts due to directors | 20,081 | – | – | 20,081 |
| Bank and other borrowings | 26,922 | – | – | 26,922 |
| Finance lease liabilities | 1,777 | 258 | – | 2,035 |
| | 78,214 | 258 | – | 78,472 |

Notwithstanding the above clauses, the directors do not believe that the loans will be called, in their entirely or in part, within 12 months and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering the Group's compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Group, the maturity analysis based on the scheduled repayment dates of bank and other borrowings during the years ended 31 March 2018 and 2017 will be as follows:

| | **On demand or within one year HK$'000** | **Between one and two years HK$'000** | **Between two and five years HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| **At 31 March 2018** | | | | |
| Bank borrowings | **35,490** | **5,804** | **5,664** | **46,958** |

| | On demand or within one year HK$'000 | Between one and two years HK$'000 | Between two and five years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 31 March 2017** | | | | |
| Bank and other borrowings | 14,117 | 3,904 | 8,901 | 26,922 |

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year end divided by the total equity as at each year end.

The gearing ratios of the Group are as follows:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Total borrowings *(Note 22)* | **45,952** | 27,545 |
| Total equity | **189,639** | 80,379 |
| Gearing ratio | **24%** | 34% |

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each financial period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

## 5 REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

Revenue and other income and gains recognised during the year are as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **Revenue** | | |
| Air freight forwarding ground handling services and air cargo terminal operating services | 474,690 | 430,093 |
| **Other income and gains** | | |
| Gain on disposal of property, plant and equipment | 63 | – |
| Income from sales of scrap materials | 1,242 | 1,373 |
| Management fee income | 60 | 624 |
| Others | 2,151 | 1,331 |
| | 3,516 | 3,328 |

### Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and review consolidated financial statements accordingly. Also, all of the Group's revenue during the years ended 31 March 2018 and 2017 are derived from Hong Kong, the place of domicile of the Group's operating subsidiary. Therefore, no segment information is presented.

### Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Customer A | 230,721 | 215,904 |
| Customer B[1] | 180,572 | 187,890 |

[1] The above customer represents a collective of companies within a group.

## 6 PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Included in direct costs: | | |
| Direct labour costs *(Note 7)* | **130,505** | 137,825 |
| Dispatched labour costs | **175,077** | 131,794 |
| Costs of packaging materials | **10,202** | 12,258 |
| Depreciation | **3,531** | 2,569 |
| Forklift rental | **11,514** | 9,842 |
| Operating lease rental on | | |
| – Car parking spaces | **1,513** | 1,718 |
| – Warehouses and loading bay | **38,256** | 30,918 |
| Included in administrative and other operating expenses: | | |
| Auditors' remuneration | **950** | 60 |
| Depreciation | **1,968** | 1,576 |
| Listing expenses | **10,668** | 3,901 |
| Operating lease rental on premises | **345** | 300 |
| Staff costs, including directors' emoluments *(Note 7)* | **12,205** | 12,106 |

## 7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Salaries and allowances and other benefits | **136,681** | 143,433 |
| Retirement scheme contributions | **6,029** | 6,498 |
| | **142,710** | 149,931 |

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

## 8 BENEFITS AND INTERESTS OF DIRECTORS

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

The remuneration of each director and the chief executive for the year ended 31 March 2018 and 2017 is set out below:

| | Fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Employer's contribution to a retirement scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2018** | | | | | |
| *Executive directors* | | | | | |
| Mr. Alex Law | – | 4,197 | 689 | 18 | 4,904 |
| Mr. Simon Law | – | 1,937 | 318 | 18 | 2,273 |
| Mr. Albert Chiu (Chief Executive Officer) | – | 1,272 | 171 | 18 | 1,461 |
| *Independent non-executive directors* | | | | | |
| Mr. Iu Tak Meng Teddy ("Mr. Iu") *(Note (ii))* | 6 | – | – | – | 6 |
| Mr. Kwan Ngai Kit ("Mr. Kwan") *(Note (ii))* | 6 | – | – | – | 6 |
| Mr. Ho Chun Chung Patrick ("Mr. Ho") *(Note (ii))* | 6 | – | – | – | 6 |
| | 18 | 7,406 | 1,178 | 54 | 8,656 |
| **Year ended 31 March 2017** | | | | | |
| *Executive directors* | | | | | |
| Mr. Alex Law *(Note (i))* | – | 4,436 | – | 18 | 4,454 |
| Mr. Simon Law *(Note (i))* | – | 2,048 | – | 18 | 2,066 |
| Mr. Albert Chiu *(Note (i))* | – | 1,328 | 79 | 18 | 1,425 |
| | – | 7,812 | 79 | 54 | 7,945 |

During the year ended 31 March 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2018 (2017: Nil).

*Notes:*

(i) Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu were appointed as directors of the Company on 7 July 2016 and re-designated as executive directors of the Company on 3 July 2017. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the year ended 31 March 2017 and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

(ii) Mr. Iu, Mr. Kwan and Mr. Ho were appointed as independent non-executive directors of the Company on 21 February 2018. During the year ended 31 March 2017, the independent non-executive directors have not yet been appointed and received no directors' remuneration in their capacity as directors.

## 8 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2017: three) of them are directors for the year ended 31 March 2018 whose emoluments are disclosed above. The emoluments in respect of the remaining two (2017: two) individual for the year ended 31 March 2018 are as follows:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Salaries and allowances | **1,498** | 1,461 |
| Discretionary bonuses | **298** | 242 |
| Retirement scheme contributions | **36** | 36 |
| | **1,832** | 1,739 |

The emoluments fell within the following band:

| | **Number of individuals** | |
|---|---|---|
| | **2018** | 2017 |
| Emolument band (in HK$) | | |
| Nil – HK$1,000,000 | **2** | 2 |

During the year ended 31 March 2018, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2017: Nil).

## 9 FINANCE COSTS

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Interest on finance leases | **35** | 133 |
| Interest on bank borrowings | **620** | 502 |
| Interest on other borrowings | **211** | 727 |
| | **866** | 1,362 |

## 10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Hong Kong profits tax: | | |
| – Current income tax | **4,138** | 7,597 |
| – Overprovision in prior years | **(22)** | – |
| Deferred income tax *(Note 23)* | **1,047** | – |
| Income tax expense | **5,163** | 7,597 |

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Profit before tax | **17,302** | 41,810 |
| Calculated at a tax rate of 16.5% | **2,854** | 6,899 |
| Adjustments for current tax of prior periods | **(22)** | – |
| Income not subject to tax | **(688)** | (784) |
| Expenses not deductible for tax purposes | **3,035** | 1,502 |
| Tax losses not recognised | **14** | – |
| Tax concession | **(30)** | (20) |
| Income tax expense | **5,163** | 7,597 |

## 11 BASIC AND DILUTED EARNINGS PER SHARE

| | **2018** | 2017 |
|---|---|---|
| Profit attributable to owners of the Company (HK$'000) | **12,139** | 34,213 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand) | **762,329** | 750,000 |
| Basic earnings per share (HK cents) | **1.6** | 4.6 |

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2018 was derived from 750,000,000 ordinary shares in issue, as if these 750,000,000 ordinary shares were outstanding throughout the year, and the effect of the share offer (250,000,000 ordinary shares issued on 14 March 2018) by the Company.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2017 was derived from 750,000,000 ordinary shares (comprising 10,000 ordinary shares in issue and 749,990,000 ordinary shares issued under the capitalisation issue), as if these 750,000,000 ordinary shares were outstanding throughout the year.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2018 and 2017.

## 12 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2018:

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital | Percentage of interest held |
|---|---|---|---|---|
| Metro Talent Limited ("Metro Talent") | Seychelles, limited liability company | Investment holding | Ordinary share US$100 | 100% (direct) |
| A & S (HK) Logistics Limited | Hong Kong, limited liability company | Engaging in air freight forwarding ground and handling services and air cargo terminal operating services in Hong Kong | Ordinary share HK$10 | 100% (indirect) |

## 13 DIVIDENDS

On 10 May 2017, the subsidiary of the Company declared an dividend of HK$11,000,000 to its then shareholders prior to the Reorganisation. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the preparation of these consolidated financial statements.

No dividend was paid or proposed for the shareholders of the Company during the year ended 31 March 2018 (2017: Nil), nor has any dividend been proposed since the end of the reporting period.

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improve-ments HK$'000 | Warehouse operating equipment HK$'000 | Furniture, fixtures and office equipment HK$'000 | Trucks, pallet trucks and motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 April 2016 | 1,784 | 295 | 1,281 | 28,697 | 32,057 |
| Additions | 878 | 786 | 690 | 1,293 | 3,647 |
| Disposals | – | – | – | (915) | (915) |
| At 31 March 2017 | 2,662 | 1,081 | 1,971 | 29,075 | 34,789 |
| Accumulated depreciation | | | | | |
| At 1 April 2016 | 1,553 | 279 | 928 | 21,954 | 24,714 |
| Charge for the year | 168 | 108 | 280 | 3,589 | 4,145 |
| Disposals | – | – | – | (915) | (915) |
| At 31 March 2017 | 1,721 | 387 | 1,208 | 24,628 | 27,944 |
| Net book value | | | | | |
| At 31 March 2017 | 941 | 694 | 763 | 4,447 | 6,845 |
| Cost | | | | | |
| At 1 April 2017 | **2,662** | **1,081** | **1,971** | **29,075** | **34,789** |
| Additions | **157** | **23** | **970** | **11,041** | **12,191** |
| Disposals | **–** | **–** | **(18)** | **(1,995)** | **(2,013)** |
| At 31 March 2018 | **2,819** | **1,104** | **2,923** | **38,121** | **44,967** |
| Accumulated depreciation | | | | | |
| At 1 April 2017 | **1,721** | **387** | **1,208** | **24,628** | **27,944** |
| Charge for the year | **250** | **240** | **492** | **4,517** | **5,499** |
| Disposals | **–** | **–** | **(6)** | **(1,678)** | **(1,684)** |
| At 31 March 2018 | **1,971** | **627** | **1,694** | **27,467** | **31,759** |
| Net book value | | | | | |
| At 31 March 2018 | **848** | **477** | **1,229** | **10,654** | **13,208** |

As at 31 March 2018, the net book value of trucks, pallet trucks and motor vehicles of the Group include an amount of Nil (2017: approximately HK$3,863,000) in respect of assets held under finance leases.

## 15 FINANCIAL INSTRUMENTS BY CATEGORY

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| *Loans and receivables* | | |
| Trade receivables | 90,760 | 83,312 |
| Other receivables and deposits | 5,807 | 6,829 |
| Amounts due from related companies | 28 | 464 |
| Pledged deposit | 3,000 | 3,000 |
| Cash and bank balances | 142,245 | 58,095 |
| **Total** | 241,840 | 151,700 |
| **Financial liabilities** | | |
| *Financial liabilities at amortised cost* | | |
| Trade payables | 9,720 | 10,664 |
| Accruals and other payables | 20,105 | 18,770 |
| Amounts due to directors | – | 20,081 |
| Bank and other borrowings | 45,952 | 25,545 |
| Finance lease liabilities | – | 2,000 |
| **Total** | 75,777 | 77,060 |

## 16 TRADE RECEIVABLES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Trade receivables | 90,760 | 83,312 |

*Notes:*

(a) The credit period granted to customers is 30 to 60 days from invoice date generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of the trade receivables based on invoice date is as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| 0 – 30 days | 39,002 | 40,502 |
| 31 – 60 days | 45,735 | 37,329 |
| 61 – 90 days | 5,095 | 5,150 |
| Over 90 days | 928 | 331 |
| | 90,760 | 83,312 |

Trade receivables that neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The ageing analysis of the trade receivables that are individually nor collectively considered to be impaired is as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Neither past due nor impaired | 82,270 | 62,327 |
| Less than 1 month past due | 4,830 | 15,477 |
| 1 – 3 months past due | 3,651 | 5,452 |
| Over 3 months past due | 9 | 56 |
| | 90,760 | 83,312 |

The Group does not hold any collateral as security.

## 17 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Deposits | **5,514** | 6,328 |
| Prepayments | **9,857** | 3,710 |
| Other receivables | **293** | 501 |
| | **15,664** | 10,539 |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 18 AMOUNTS DUE FROM RELATED COMPANIES

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| **Amounts due from related companies** | | |
| Gobo Trade Limited ("Gobo") *(Note (i))* | **–** | 221 |
| Cheer Well Industrial Limited *(Note (ii))* | **–** | 110 |
| Power Gold Transportation Limited *(Note (iii))* | **–** | 91 |
| Wellgain Profit Group Limited *(Note (iv))* | **–** | 23 |
| Dynamic Victor Limited *(Note (v))* | **28** | 19 |
| | **28** | 464 |

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| **Maximum outstanding balance during the year** | | |
| Gobo | **2,329** | 2,797 |
| Cheer Well Industrial Limited | **117** | 110 |
| Power Gold Transportation Limited | **92** | 91 |
| Wellgain Profit Group Limited | **27** | 23 |
| Dynamic Victor Limited | **28** | 19 |

*Notes:*

(i) Mr. Alex Law, Mr. Simon Law and their close family member had material beneficial interest in Gobo.

(ii) Mr. Alex Law was the sole shareholder and sole director of Cheer Well Industrial Limited.

(iii) Mr. Alex Law and Mr. Simon Law were shareholders and directors of Power Gold Transportation Limited.

(iv) Mr. Alex Law, Mr. Simon Law and their close family member were shareholders and directors of Wellgain Profit Group Limited.

(v) Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu were shareholders and directors of Dynamic Victor Limited, which is the parent and ultimate holding company of the Group.

(vi) The amounts due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment, except for approximately Nil (2017: HK$221,000) as at 31 March 2018 included in amount due from Gobo were arising from management fee income.

## 19 CASH AND BANK BALANCES AND PLEDGED DEPOSIT

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Cash at banks *(Note a)* | **141,526** | 57,921 |
| Cash on hand | **719** | 174 |
| Time deposit | **3,000** | 3,000 |
| | **145,245** | 61,095 |
| Less: Pledged deposit *(Note b)* | **(3,000)** | (3,000) |
| Cash and bank balances | **142,245** | 58,095 |

## 19 CASH AND BANK BALANCES AND PLEDGED DEPOSIT (CONTINUED)

*Notes:*

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(b) As at 31 March 2017 and 31 March 2018, the pledged deposit was placed to secure the Group's outstanding bank borrowings disclosed in Note 22 below.

## 20 SHARE CAPITAL

| | Note | Number of shares | Share capital HK$'000 |
|---|---|---|---|
| Ordinary shares of HK$0.01 each | | | |
| **Authorised:** | | | |
| On 7 July 2016 (date of incorporation), at 31 March 2017 and 1 April 2017 | b | 38,000,000 | 380 |
| Increase in authorised share capital | c | 1,962,000,000 | 19,620 |
| At 31 March 2018 | | 2,000,000,000 | 20,000 |
| **Issued and fully paid:** | | | |
| On 7 July 2016 (date of incorporation), at 31 March 2017 and 1 April 2017 | b | 1 | – |
| Shares issued upon Reorganisation | d | 9,999 | 1 |
| Shares issued pursuant to the capitalisation issue | e | 749,990,000 | 7,499 |
| Shares issued under share offer | f | 250,000,000 | 2,500 |
| At 31 March 2018 | | 1,000,000,000 | 10,000 |

*Notes:*

(a) The balance of share capital at 31 March 2017 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

(b) Upon incorporation, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. One nil-paid share was allotted and issued to the initial subscriber on 7 July 2016, which was then transferred to Dynamic Victor Limited at nil consideration on the same date.

(c) On 21 February 2018, the then shareholders resolved to increase the authorised share capital of the Company from HK$380,000 to HK$20,000,000 by the creation of 1,962,000,000 additional shares, each ranking pari passu with the shares then in issue in all respects.

(d) Pursuant to the Reorganisation and as a consideration for the acquisition by the Company of the entire issued share capital of Metro Talent from Dynamic Victor Limited on 21 February 2018, (i) the one nil-paid share then held by Dynamic Victor Limited was credited as fully paid, and (ii) 9,999 shares, all credited as fully paid, were allotted and issued to Dynamic Victor Limited.

(e) Pursuant to the written resolutions of the sole shareholder of the Company passed on 21 February 2018, the Company issued and allotted a total of 749,990,000 ordinary shares of the Company credited as fully paid to the then sole shareholder of the Company's shares on the register of members at the close of business on 21 February 2018 by way of capitalisation of the sum of HK$7,499,900 standing to the credit of the share premium account of the Company.

(f) On 14 March 2018, 250,000,000 ordinary shares of HK$0.01 each were issued to the public at a price of HK$0.48 per share for cash totalling HK$120,000,000 by way of share offer. The excess of issue price over the par value of the shares, net of issuance costs of approximately HK$11,879,000, were credited to the share premium account of the Company.

## 21 SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 21 February 2018 as to attract and retain the best available personnel, to provide additional incentive to the eligible participants and to promote the success of the business of the Group under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, substantial shareholders, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution to the development and growth of the Group.

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5,000,000 must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

## 21 SHARE OPTION SCHEME (CONTINUED)

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 21 February 2018, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2018.

## 22 BORROWINGS

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Non-current** | | |
| Finance lease liabilities *(Note b)* | **–** | 257 |
| **Current** | | |
| Bank borrowings *(Note a)* | **45,952** | 17,545 |
| Other borrowings *(Note c)* | **–** | 8,000 |
| Finance lease liabilities *(Note b)* | **–** | 1,743 |
| | **45,952** | 27,288 |
| Total borrowings | **45,952** | 27,545 |

*Notes:*

(a) Bank borrowings

The bank borrowings are classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank borrowings are repayable as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 year | **34,893** | 5,423 |
| Between 1 and 2 years | **5,551** | 3,594 |
| Between 2 and 5 years | **5,508** | 8,528 |
| | **45,952** | 17,545 |

The carrying amounts of the bank borrowings are denominated in HK$.

As at 31 March 2018, the undrawn banking facilities amounted to approximately HK$1,893,000 (2017: HK$15,000,000).

These banking facilities are secured/guaranteed by:

(i) Personal guarantees given by Mr. Alex Law and Mr. Simon Law as at 31 March 2017;

(ii) Certain properties held by Mr. Alex Law and Mr. Simon Law as at 31 March 2018 and 2017;

(iii) Guarantee by The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme as at 31 March 2017;

(iv) Unlimited corporate guarantee by the Company as at 31 March 2018; and

(v) Certain cash deposits of the Group of approximately HK$3,000,000 as at 31 March 2018 and 2017.

## 22 BORROWINGS (CONTINUED)

*Notes:* (continued)

(b) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option.

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Gross finance lease liabilities-minimum lease payments | | |
| Within 1 year | **–** | 1,777 |
| Between 1 and 2 years | **–** | 258 |
| | **–** | 2,035 |
| Future finance charges on finance leases | **–** | (35) |
| Present value of finance lease liabilities | **–** | 2,000 |

The present value of finance lease liabilities is as follows:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Within 1 year | **–** | 1,743 |
| Between 1 and 2 years | **–** | 257 |
| | **–** | 2,000 |

The finance leases are secured by the Group's trucks, pallet trucks and motor vehicles with an aggregate net book value of approximately HK$3,863,000 as at 31 March 2017.

Certain finance leases are guaranteed by Mr. Simon Law as at 31 March 2017.

The carrying amounts of all finance lease liabilities are denominated in HK$.

(c) The other borrowings were secured by certain of the Group's trucks with an aggregate net book value of approximately of Nil (2017: Nil) as at 31 March 2018. The other borrowings were repayable within one year, bear interest at rate of Nil (2017: 7%) per annum as of 31 March 2018.

The carrying amounts of other borrowings are denominated in HK$.

(d) The interest rates per annum of borrowings are as follows:

| | **2018** | 2017 |
|---|---|---|
| Bank borrowings | **1.80% to 4.25%** | 2.10% to 4.25% |
| Other borrowing | **N/A** | 7% |
| Finance lease liabilities | **N/A** | 1.75% to 1.80% |

## 23 DEFERRED INCOME TAX

The components of deferred tax liabilities recognised in the consolidated statements of financial position and the movements during the year are as follows:

| | Accelerated tax depreciation HK$'000 |
|---|---|
| At 1 April 2016, 31 March 2017 and 1 April 2017 | – |
| Charged to profit or loss *(Note 10)* | 1,047 |
| At 31 March 2018 | **1,047** |

## 24 TRADE AND OTHER PAYABLES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Trade payables | **9,720** | 10,664 |
| Accruals and other payables | **18,555** | 17,820 |
| Deposits received | **1,550** | 950 |
| | **29,825** | 29,434 |

*Notes:*

(a) Payment terms granted by suppliers are generally 7 to 60 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| 0 – 30 days | **3,546** | 5,990 |
| 31 – 60 days | **3,556** | 2,931 |
| 61 – 90 days | **718** | 931 |
| Over 90 days | **1,900** | 812 |
| | **9,720** | 10,664 |

As at 31 March 2018, included in trade payables was approximately HK$3,760,000 (2017: HK$4,077,000) payable to a related company, Gobo.

As at 31 March 2018, included in trade payables was approximately HK$261,000 (2017: HK$107,000) payable to a related company, Hung Kee Body Building Factory Limited.

(b) All trade and other payables are denominated in HK$.

## 25 AMOUNTS DUE TO DIRECTORS

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **Name of directors** | | |
| Mr. Alex Law | – | 8,001 |
| Mr. Simon Law | – | 12,080 |
| | – | 20,081 |

The amounts due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

## 26 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Reconciliation of profit before tax to net cash generated from operations

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Profit before tax | 17,302 | 41,810 |
| Adjustments for: | | |
| Depreciation | 5,499 | 4,145 |
| Gain on disposal of property, plant and equipment | (63) | – |
| Interest expense | 866 | 1,362 |
| Operating profit before working capital changes | 23,604 | 47,317 |
| Increase in trade receivables | (7,448) | (7,134) |
| (Increase)/decrease in other receivables, deposits and prepayments | (5,125) | 4,315 |
| Decrease in amounts due from related companies | 436 | 106 |
| (Decrease)/increase in trade payables | (944) | 16 |
| Increase in accruals and other payables | 1,335 | 3,867 |
| Net cash generated from operations | 11,858 | 48,487 |

### (b) Material non-cash transactions

During the year ended 31 March 2017, additions to property, plant and equipment of approximately HK$1,199,000 were financed by finance lease arrangements.

During the year ended 31 March 2018, dividend declared by the subsidiary of the Company of approximately HK$9,900,000 (2017: Nil) was settled through current accounts with the directors.

## 26 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

### (c) Reconciliation of liabilities arising from financing activities

| | **As at 1 April 2017 HK$'000** | **Cash flows HK$'000** | **Non-cash changes HK$'000** | **As at 31 March 2018 HK$'000** |
|---|---|---|---|---|
| Amounts due to directors *(Note (ii))* | **20,081** | **(29,981)** | **9,900** | **–** |
| Bank and other borrowings | **25,545** | **20,407** | **–** | **45,952** |
| Finance lease liabilities | **2,000** | **(2,000)** | **–** | **–** |
| Total liabilities from financing activities | **47,626** | **(11,574)** | **9,900** | **45,952** |

| | As at 1 April 2016 HK$'000 | Cash flows HK$'000 | Non-cash changes HK$'000 | As at 31 March 2017 HK$'000 |
|---|---|---|---|---|
| Amounts due to directors | 30,079 | (9,998) | – | 20,081 |
| Bank and other borrowings | 10,903 | 14,642 | – | 25,545 |
| Finance lease liabilities *(Note (i))* | 4,676 | (3,875) | 1,199 | 2,000 |
| Total liabilities from financing activities | 45,658 | 769 | 1,199 | 47,626 |

*Note:*

(i) Non-cash change represents acquisition of property, plant and equipment.

(ii) Non-cash change represents settlement of dividends.

## 27 COMMITMENTS

### (a) Operating lease commitments – Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Within one year | **4,443** | 4,443 |
| In the second to fifth years inclusive | **1,110** | 5,553 |
| | **5,553** | 9,996 |

The Group is the lessor in respect of warehouses under operating leases. The leases typically run for an initial period of 30 months.

## 27 COMMITMENTS (CONTINUED)

### (b) Operating lease commitments — Group as lessee

The future minimum lease payments under non-cancellable operating leases were payable as follows:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Within one year | **54,373** | 50,771 |
| In the second to fifth years inclusive | **15,699** | 62,386 |
| | **70,072** | 113,157 |

The Group is the lessee in respect of forklifts, warehouses and loading bay under operating leases. The leases typically run for an initial period of 1 to 3 years.

## 28 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) During the end of each of the reporting period, the Company entered into the following transactions with related parties:

| **Name of related party** | **Relationship** |
|---|---|
| Mr. Alex Law and Mr. Simon Law | Directors of the Company |
| Gobo | Mr. Alex Law and Mr. Simon Law have joint control |
| Hung Kee Body Building Factory Limited | Controlled by a close family member of Mr. Alex Law and Mr. Simon Law |
| Hung Kee Body Building Factory | A sole proprietorship business owned by a close family member of Mr. Alex Law and Mr. Simon Law |

## 28 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the end of each of the reporting period, the Company entered into the following transactions with related parties: (continued)

| Name of related party | Nature of transactions | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Mr. Alex Law and Mr. Simon Law | Office premises rental | 345 | 300 |
| Gobo | Management fee income | 60 | 624 |
| | Revenue from logistics services | 2,032 | 760 |
| | Purchases of office supplies | 1,744 | 1,002 |
| | Purchases of packaging materials | 10,202 | 12,258 |
| Hung Kee Body Building Factory Limited | Vehicle repair and maintenance expenses | 1,804 | 1,459 |
| | Purchases of property, plant and equipment | 202 | – |
| Hung Kee Body Building Factory | Car parking spaces rental | 128 | 384 |

(b) Related party balances

Details of the outstanding balances with related parties are disclosed in Notes 18, 24 and 25.

(c) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in Note 8.

## 29 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

## 30 CORPORATE GUARANTEE

At 31 March 2018, the Company has given corporate guarantee in favour of a bank for banking facilities granted to its subsidiary. In the opinion of the directors, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of business of the Group and the fair value of the corporate guarantee granted by the Company are immaterial.

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | 76,185 | – |
| **Current assets** | | | |
| Amount due from a subsidiary | | 1,387 | – |
| Cash and bank balances | | 106,435 | – |
| | | 107,822 | – |
| **Total assets** | | 184,007 | – |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | 10,000 | – |
| Reserves | *31(b)* | 174,007 | (73) |
| **Total equity** | | 184,007 | (73) |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Amount due to a subsidiary | | – | 73 |
| **Total equity and liabilities** | | 184,007 | – |
| **Net current assets** | | 107,822 | (73) |
| **Total assets less current liabilities** | | 184,007 | (73) |

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 25 June 2018 and signed on its behalf by:

| | |
|---|---|
| **Mr. Law Kwok Leung Alex** | **Mr. Law Kwok Ho Simon** |
| *Director* | *Director* |

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### (b) Reserve movement

| | Share premium HK$'000 | Other reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| On 7 July 2016 (date of incorporation) | – | – | – | – |
| Loss and total comprehensive expense for the period | – | – | (73) | (73) |
| Balance at 31 March 2017 | – | – | (73) | (73) |
| Balance at 1 April 2017 | – | – | (73) | (73) |
| Loss and total comprehensive expense for the year | – | – | (227) | (227) |
| Reorganisation | – | 76,185 | – | 76,185 |
| Shares issued pursuant to the capitalisation issue | (7,499) | – | – | (7,499) |
| Shares issued under share offer | 117,500 | – | – | 117,500 |
| Shares issuance costs | (11,879) | | | (11,879) |
| Balance at 31 March 2018 | 98,122 | 76,185 | (300) | 174,007 |

***Other reserve***

Other reserve represents the difference between the fair value of the shares of Metro Talent acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

# FINANCIAL SUMMARY

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **474,690** | 430,093 | 378,761 | 364,491 |
| Direct costs | **(402,128)** | (346,845) | (318,252) | (303,145) |
| Gross profit | **72,562** | 83,248 | 60,509 | 61,346 |
| Profit before tax | **17,302** | 41,810 | 22,803 | 22,298 |
| Income tax expense | **(5,163)** | (7,597) | (3,689) | (3,835) |
| Profit and total comprehensive income for the year attributable to owners of the Company | **12,139** | 34,213 | 19,114 | 18,463 |
| Total assets | **266,463** | 162,255 | 118,165 | 115,710 |
| Total liabilities | **76,824** | 81,876 | 71,999 | 78,658 |

The accompanying notes form an integral part of these consolidated financial statements.