



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

**INTERIM 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. Lu Tak Meng Teddy
Mr. Kwan Ngai Kit

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Mr. Lu 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
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Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman KY1-1108
Cayman Islands

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		(Unaudited) Six months ended 30 September	
	Note	2018 HK\$'000	2017 HK\$'000
Revenue	3	224,442	241,106
Direct costs		(201,388)	(201,858)
Gross profit		23,054	39,248
Other income and gains	3	1,743	2,306
Administrative and other operating expenses		(23,684)	(27,713)
Operating profit		1,113	13,841
Finance costs	5	(494)	(513)
Profit before tax	4	619	13,328
Income tax expense	6	(67)	(3,303)
Profit and total comprehensive income for the period attributable to owners of the Company		552	10,025
Basic and diluted earnings per share	7	HK0.06 cents	HK1.33 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	10,385	13,208
Club debenture	10	869	–
		11,254	13,208
Current assets			
Trade receivables	11	102,226	90,760
Other receivables, deposits and prepayments	12	17,167	15,664
Amounts due from related companies		28	28
Pledged deposit	13	3,000	3,000
Cash and bank balances	13	120,466	142,245
Tax recoverable		3,389	1,558
		246,276	253,255
Total assets		257,530	266,463
EQUITY			
Capital and reserves			
Share capital	14	10,000	10,000
Reserves		180,191	179,639
Total equity		190,191	189,639
LIABILITIES			
Non-current liability			
Deferred tax liability		1,047	1,047
		1,047	1,047
Current liabilities			
Trade payables	16	9,743	9,720
Accruals and other payables		21,259	20,105
Bank borrowings	15	35,290	45,952
		66,292	75,777
Total liabilities		67,339	76,824
Total equity and liabilities		257,530	266,463
Net current assets		179,984	177,478
Total assets less current liabilities		191,238	190,686

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK\$'000	Attributable to owners of the Company Share premium HK\$'000	Merger reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 April 2017 (audited)	–	–	–	80,379	80,379
Reorganisation	1	–	(1)	–	–
Profit and total comprehensive income for the period	–	–	–	10,025	10,025
Dividend (Note 8)	–	–	–	(11,000)	(11,000)
Balance at 30 September 2017 (unaudited)	1	–	(1)	79,404	79,404
Balance at 1 April 2018 (audited)	10,000	98,122	(1)	81,518	189,639
Profit and total comprehensive income for the period	–	–	–	552	552
Balance at 30 September 2018 (unaudited)	10,000	98,122	(1)	82,070	190,191

Note: The merger reserve represents the difference between the nominal value of the shares issued by A & S Group (Holdings) Limited (the "Company") in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation of the Company.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

		(Unaudited) Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000
	Note		
Cash flows from operating activities			
Net cash (used in)/generated from operations	17(a)	(8,060)	14,539
Tax paid		(1,898)	(927)
Net cash (used in)/generated from operating activities		(9,958)	13,612
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		380	391
Purchases of property, plant and equipment		(279)	(6,976)
Purchases of other asset		(869)	–
Interest income received		103	–
Net cash used in investing activities		(665)	(6,585)
Cash flows from financing activities			
Repayment of finance leases		–	(1,464)
Drawdown of bank borrowings		41,000	3,153
Repayment of bank borrowings		(51,662)	(3,069)
Repayment of other borrowings		–	(6,000)
Interest paid on finance leases		–	(28)
Interest paid on bank and other borrowings		(494)	(485)
Decrease in amounts due to directors		–	(11,429)
Dividends paid		–	(1,100)
Net cash used in financing activities		(11,156)	(20,422)
Net decrease in cash and cash equivalents		(21,779)	(13,395)
Cash and cash equivalents at beginning of period		142,245	58,095
Cash and cash equivalents at end of period		120,466	44,700

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

A & S Group (Holdings) Limited (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**”) on 14 March 2018 (the “**Listing**”).

The address of the Company’s registered office is PO 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**”) are principally engaged in provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong.

The interim condensed 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.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim condensed 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 interim condensed 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 interim condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance. The interim condensed consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of interim condensed 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 interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

- (a) *The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 April 2018*

Annual Improvements Project (Amendments) – HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 40	Transfers of Investment Property

The adoption of above new and amended standards does not have significant financial effect to the interim condensed consolidated financial statements.

- (b) *The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning on or after 1 April 2018 and have not been early adopted by the Group*

		Effective for accounting year beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Improvements to HKFRSs	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standards, amendments to standards and interpretations when they become effective. The Group is in the process of assessing the impact of these new standards, amendments to standards and interpretations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3 REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

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

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Revenue		
Air freight forwarding ground handling services and air cargo terminal operating services	224,442	241,106
Other income and gains		
Gain on disposal of property, plant and equipment	357	63
Income from sales of scrap materials	472	613
Management fee income	–	60
Others	914	1,570
	1,743	2,306

Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors of the Company regard the Group's business as a single operating segment and review interim condensed consolidated financial statements accordingly. Also, all of the Group's revenue during the six months ended 30 September 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:

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Customer A	105,490	116,099
Customer B ¹	88,308	94,873

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4 PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Included in direct costs:		
Direct labour costs	57,041	64,785
Dispatched labour costs	94,024	87,125
Costs of packaging materials	4,840	5,449
Depreciation	1,784	1,615
Forklift rental	5,642	5,733
Operating lease rental on		
– Car parking spaces	699	844
– Warehouses and loading bay	19,463	19,759
Included in administrative and other operating expenses:		
Auditors' remuneration	450	25
Depreciation	1,295	844
Listing expenses	–	5,730
Operating lease rental on premises	180	165
Staff costs, including directors' emoluments	6,635	5,892

5 FINANCE COSTS

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	494	293
Interest on finance leases	–	28
Interest on other borrowings	–	192
	494	513

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 8.25% for the first HK\$2 million of assessable profits and 16.5% for the assessable profits above HK\$2 million for the current period (2017: 16.5%).

The amount of income tax expense charged to the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Hong Kong profits tax:		
– Current income tax	67	2,562
Deferred income tax	–	741
	<hr/>	<hr/>
Income tax expense	67	3,303

7 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	(Unaudited) Six months ended 30 September	
	2018	2017
Profit attributable to owners of the Company (HK\$'000)	552	10,025
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ('000)	1,000,000	750,000
	<hr/>	<hr/>
Basic earnings per share (HK cents)	0.06	1.33

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 2018 was derived from 1,000,000,000 ordinary shares in issue.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 2017 was derived from 750,000,000 ordinary shares (comprising 10,000 ordinary shares in issue and 749,990,000 ordinary shares to be issued under the capitalisation issue), as if these 750,000,000 ordinary shares were outstanding throughout the period.

(b) Diluted

Diluted earnings per share for the six months ended 30 September 2018 and 2017 are the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the respective periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

8 DIVIDENDS

On 10 May 2017, the subsidiary of the Company declared a dividend of HK\$11,000,000 to its then shareholders prior to the corporate reorganisation of the Group in preparation for the Listing (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 interim condensed consolidated financial statements.

No dividend was paid or proposed for the shareholders of the Company during the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with a cost of HK\$279,000 (six months ended 30 September 2017: HK\$6,976,000). The Group also disposed of certain items of property, plant and equipment at the aggregate carrying amount of HK\$23,000 during the six months ended 30 September 2018 (six months ended 30 September 2017: HK\$328,000).

10 CLUB DEBENTURE

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Club debenture	869	–

During the six months ended 30 September 2018, the Group acquired a club debenture of approximately HK\$869,000. The club debenture with indefinite useful life is stated at cost less any impairment loss.

11 TRADE RECEIVABLES

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Trade receivables	102,226	90,760

Notes:

- The credit period granted to customers is 30 to 60 days from invoice date generally. Trade receivables are denominated in HK\$.
- The ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
0 – 30 days	73,190	39,002
31 – 60 days	4,313	45,735
61 – 90 days	16,199	5,095
Over 90 days	8,524	928
	102,226	90,760

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Deposits	5,809	5,514
Prepayments	11,259	9,857
Other receivables	99	293
	17,167	15,664

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.

13 CASH AND BANK BALANCES AND PLEDGED DEPOSIT

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Cash at banks (Note a)	119,747	141,526
Cash on hand	719	719
Time deposit	3,000	3,000
	123,466	145,245
Less: Pledged deposit (Note b)	(3,000)	(3,000)
Cash and bank balances	120,466	142,245

Notes:

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (b) As at 31 March 2018 and 30 September 2018, the pledged deposit was placed to secure the Group's outstanding bank borrowings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14 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)		38,000,000	380
Increase in authorised share capital	a	1,962,000,000	19,620
		<hr/>	<hr/>
At 31 March 2018 and 30 September 2018		2,000,000,000	20,000
		<hr/>	<hr/>
Issued and fully paid:			
On 7 July 2016 (date of incorporation)		1	–
Shares issued upon Reorganisation	b	9,999	1
Shares issued pursuant to the capitalisation issue	c	749,990,000	7,499
Shares issued under share offer	d	250,000,000	2,500
		<hr/>	<hr/>
At 31 March 2018 and 30 September 2018		1,000,000,000	10,000
		<hr/>	<hr/>

Notes:

- On 21 February 2018, the 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.
- Pursuant to the Reorganisation and as a consideration for the acquisition by the Company of the entire issued share capital of Metro Talent Limited 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.
- 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.
- 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15 BANK BORROWINGS

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Current		
Total bank borrowings	35,290	45,952

Notes:

These banking facilities are secured/guaranteed by:

- (i) Certain properties held by Mr. Law Kwok Leung Alex ("**Mr. Alex Law**") and Mr. Law Kwok Ho Simon ("**Mr. Simon Law**") as at 31 March 2018 and 30 September 2018;
- (ii) Unlimited corporate guarantee by the Company as at 31 March 2018 and 30 September 2018; and
- (iii) Certain cash deposits of the Group of approximately HK\$3,000,000 as at 31 March 2018 and 30 September 2018.

The interest rates per annum of borrowings are as follows:

	(Unaudited) As at 30 September 2018	(Audited) As at 31 March 2018
Bank borrowings	1.80% to 4.25%	1.80% to 4.25%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16 TRADE PAYABLES

Payment terms granted by suppliers are generally 7 to 60 days from the invoice date of the relevant purchase. The ageing analysis of trade payables based on the invoice date is as follows:

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
0 – 30 days	6,974	3,546
31 – 60 days	602	3,556
61 – 90 days	622	718
Over 90 days	1,545	1,900
	9,743	9,720

17 NOTES TO INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before tax to net cash (used in)/generated from operations

	(Unaudited) Six months ended 30 September 2018 HK\$'000	2017 HK\$'000
Profit before tax	619	13,328
Adjustments for:		
Depreciation	3,079	2,459
Gain on disposal of property, plant and equipment	(357)	(63)
Interest income	(103)	–
Interest expense	494	513
Operating profit before working capital changes	3,732	16,237
Increase in trade receivables	(11,466)	(7,023)
(Increase)/decrease in other receivables, deposits and prepayments	(1,503)	854
Decrease in amounts due from related companies	–	219
Increase in trade payables	23	2,722
Increase in accruals and other payables	1,154	1,530
Net cash (used in)/generated from operations	(8,060)	14,539

(b) Material non-cash transactions

During the six months ended 30 September 2017, dividend declared by the subsidiary of the Company of approximately HK\$9,900,000 was settled through current accounts with the directors of the Company (the "Directors").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

18 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.

During the six months ended 30 September 2018, the Group 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 Trade Limited	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

Name of related party	Nature of transactions	(Unaudited) Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000
Mr. Alex Law and Mr. Simon Law	Office premises rental	180	165
Gobo Trade Limited	Management fee income	–	60
	Revenue from logistics services	1,246	56
	Purchases of office supplies	536	851
	Purchases of packaging materials	4,791	5,449
Hung Kee Body Building Factory Limited	Vehicle repair and maintenance expenses	720	971
Hung Kee Body Building Factory	Car parking spaces rental	–	128

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

19 COMMITMENTS

(a) Operating lease commitments – Group as lessor

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

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Within one year	3,332	4,443
In the second to fifth years inclusive	–	1,110
	3,332	5,553

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

(b) Operating lease commitments – Group as lessee

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

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Within one year	41,897	54,373
In the second to fifth years inclusive	–	15,699
	41,897	70,072

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.

(c) Capital commitment

The Group had the following capital expenditure commitments as at 30 September 2018:

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Contracted, but not provided for: Property, plant and equipment	2,802	–

20 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 recent escalation of tensions between the United States and China casts uncertainty over the imposition of tariffs or trade barriers between the two countries. Those tensions may affect the business of the Group if the trade volume decreases. The Group will adopt a flexible approach in handling the current situation and will closely monitor the impact resulting from the tariffs.

During the six months ended 30 September 2018, the performance of the Group was affected by (i) the decrease in overall cargo volume proceeds and (ii) not being able to reduce its overall labour cost to the same extent as compared to the decrease in the overall cargo volume proceeding. The Group foresees that these two major factors may continuously affect the operation and financial performance of the Group in the next half of the Group's financial year.

To mitigate the possible negative impact, the Group will continue to (i) improve its services quality; (ii) exercise carefully cost controls to strengthen its competitiveness in the logistics services industry; and (iii) invest for future, especially the warehouse facilities such as the storage management system for better utilisation of warehouse space.

FINANCIAL REVIEW

Turnover

Revenue of the Group decreased by approximately 6.9% from approximately HK\$241.1 million for the six months ended 30 September 2017 to approximately HK\$224.4 million for the six months ended 30 September 2018. Such decrease was mainly driven by the decrease in overall cargo volume processed for both air freight forwarding ground handling services and air cargo terminal operating services, both possibly due to the outbreak of trade war between the United States and China commenced in or around mid-2018.

Gross profit and gross profit margin

Gross profit decreased by approximately 41.1% from approximately HK\$39.2 million for the six months ended 30 September 2017 to approximately HK\$23.1 million for the six months ended 30 September 2018. Such decrease was primarily resulted from the Group not being able to reduce its overall labour cost to the same extent as compared to the decrease in the overall cargo handling volume for its services.

The Group's gross profit margin for the six months ended 30 September 2018 was approximately 10.3%, representing a decrease of approximately 6.0% as compared to approximately 16.3% for the six months ended 30 September 2017.

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 decreased by approximately 26.1% from approximately HK\$2.3 million for the six months ended 30 September 2017 to approximately HK\$1.7 million for the six months ended 30 September 2018.

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 14.4% from approximately HK\$27.7 million for the six months ended 30 September 2017 to approximately HK\$23.7 million for the six months ended 30 September 2018, primarily due to the listing expenses and listing related administrative expenses of approximately HK\$5.7 million incurred for the six months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

Income tax expense was approximately HK\$0.1 million for the six months ended 30 September 2018, representing a decrease of approximately 97.0% from approximately HK\$3.3 million for the six months ended 30 September 2017, primarily due to the decrease in profit before tax driven by the decrease in gross profit as explained above.

Profit and total comprehensive income for the period

As a result of the foregoing, the Group recorded a profit and total comprehensive income attributable to owners of the Company of approximately HK\$0.6 million for the six months ended 30 September 2018 as compared to approximately HK\$10.0 million for the six months ended 30 September 2017.

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 30 September 2018, the Group had net current assets of approximately HK\$180.0 million (31 March 2018: HK\$177.5 million), cash and bank balances of approximately HK\$120.5 million (31 March 2018: HK\$142.2 million) and pledged bank deposit with original maturity over three months of approximately HK\$3.0 million (31 March 2018: HK\$3.0 million).

As at 30 September 2018, the Group's total equity attributable to owners of the Company amounted to approximately HK\$190.2 million (31 March 2018: HK\$189.6 million), and the Group's total debt comprising bank borrowings amounted to approximately HK\$35.3 million (31 March 2018: HK\$46.0 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.

CAPITAL STRUCTURE

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

GEARING RATIO

As at 30 September 2018, the gearing ratio (calculated on the basis of total bank borrowings divided by total equity of the Group) was approximately 18.6% (31 March 2018: 24.2%).

CAPITAL COMMITMENTS

As at 30 September 2018, the Group had capital commitments contracted, but not provided for, amounting to approximately HK\$2.8 million (31 March 2018: Nil).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liability (31 March 2018: Nil).

INFORMATION ON EMPLOYEES

As at 30 September 2018, the Group employed 483 employees (31 March 2018: 539 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.

CHARGE ON GROUP ASSETS

Certain cash deposits of the Group of approximately HK\$3.0 million as at 30 September 2018 and 31 March 2018 are charged to the bank to secure general banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

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 arise.

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 any future growth opportunities.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 3 to the interim condensed consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSET

Save as disclosed in the prospectus dated 28 February 2018 (the "**Prospectus**") and in this report, the Group did not have other plans for material investments or acquisition of capital assets as of 30 September 2018.

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

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

INTERIM DIVIDENDS

The board of Directors (the "**Board**") does not recommend the payment of interim dividend for the six months ended 30 September 2018.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2018 is set out below:

Business Strategies as stated in the Prospectus	Business objectives up to 30 September 2018 as stated in the Prospectus	Actual business progress up to 30 September 2018
Upgrading existing facilities and acquiring additional trucks and equipment	<ul style="list-style-type: none"> - Acquire one additional 5.5 ton truck, one additional 9 ton truck and four additional 16 ton trucks - Upgrade other existing facilities in our warehouses and offices, such as shelving and racking, CCTV surveillance and fire equipment - Install two automatic measurement and weight check systems for pallet integrated into conveyor in cargo receiving areas in our existing warehouses 	<p>The Group has made the deposit payment for the acquisition of four additional 16 ton trucks which are expected to be delivered to the Group in October 2018</p> <p>The Group has upgraded the existing facilities in the warehouses and offices</p> <p>The Group is in the course of identifying suitable equipment</p>
Implementing new information technology system	<ul style="list-style-type: none"> - Plan for upgrading the existing warehouse management system and accounting system - Recruit two experienced personnel responsible for the planning and implementation of the information system upgrade 	<p>The Group has made the deposit payment in order to enhance and upgrade the existing warehouse management system and accounting system</p> <p>Due to shortage of right calibre and the recruitment is deferred</p>

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM SHARE OFFER

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$92.8 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of net proceeds from the Listing as at 30 September 2018 is set out below:

	Planned use of net proceeds up to 30 September 2018 HK\$ million	Actual use of net proceeds up to 30 September 2018 HK\$ million
Upgrading on existing facilities and acquisition of additional trucks and equipment	7.3	0.3
New information technology system	0.6	0.3
General working capital	5.5	5.5
	<hr/>	<hr/>
	13.4	6.1

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

OTHER INFORMATION

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

As at 30 September 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. Chiu Tat Ting Albert ("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 30 September 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.

OTHER INFORMATION

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 30 September 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 30 September 2018, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executives' interest and short positions in shares, underlying shares and debentures 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.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

COMPETING BUSINESS

During the six months ended 30 September 2018, none of the Directors or the controlling shareholders of the Company ("**Controlling Shareholders**") and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

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 (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with our 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 section headed "Relationship with our Controlling Shareholders – Non-competition undertakings" in the Prospectus.

During the six months ended 30 September 2018, the Company had not received any information in writing or otherwise from any of the Covenantors 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 Covenantors or their associates (other than any member of the Group), and the Company has received an annual written confirmation from the Covenantors in respect of his/its associates' compliance with the Deed of Non-competition. The independent non-executive Directors have reviewed and were satisfied that the Covenantors had complied with the Deed of Non-competition.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code (“**Model Code**”) set out in Appendix 10 of 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 the six months ended 30 September 2018.

SHARE OPTION SCHEME

The Company's share option scheme (“**Share Option Scheme**”) was conditionally adopted on 21 February 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board 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. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules.

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2018 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 21 February 2018. The chairman of the Audit Committee is Mr. Kwai Ngai Kit, the independent non-executive Director, and other members include Mr. Ho Chun Chung Patrick and Mr. Lu Tak Meng Teddy, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

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.

OTHER INFORMATION

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's interim condensed consolidated financial statements for the six months ended 30 September 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the interim condensed consolidated financial statements of the Group for the six months ended 30 September 2018 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 19 November 2018

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