



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
2019

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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. Ng Hoi Ying (*CPA*)

AUTHORISED REPRESENTATIVES

Mr. Law Kwok Leung Alex
Ms. Ng Hoi Ying (*CPA*)

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
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman KY1-1108
Cayman Islands

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 2019

		(Unaudited) Six months ended 30 September	
		2019	2018
		HK\$'000	HK\$'000
	Note		
Revenue	3	214,172	224,442
Direct costs		(193,915)	(201,388)
		20,257	23,054
Gross profit			
Other income and gains	3	1,199	1,743
Administrative and other operating expenses		(27,939)	(23,684)
		(6,483)	1,113
Operating (loss)/profit			
Finance costs	5	(5,938)	(494)
		(12,421)	619
(Loss)/profit before tax	4		
Income tax expense	6	–	(67)
		(12,421)	552
(Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company		(12,421)	552
Basic and diluted (loss)/earnings per share	7	(HK1.24 cents)	HK0.06 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Note	(Unaudited) As at 30 September HK\$'000	(Audited) As at 31 March HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	12,502	12,008
Right-of-use assets	10	101,473	–
Club membership	11	869	869
		114,844	12,877
Current assets			
Trade receivables	12	106,091	100,574
Other receivables, deposits and prepayments	13	18,289	20,186
Amount due from a related company		35	35
Pledged deposit	14	3,007	3,004
Cash and bank balances	14	91,749	89,546
Tax recoverable		3,656	3,656
		222,827	217,001
Total assets		337,671	229,878
EQUITY			
Capital and reserves			
Share capital	15	10,000	10,000
Reserves		166,299	178,720
Total equity		176,299	188,720
LIABILITIES			
Non-current liabilities			
Lease liabilities		63,524	–
Deferred tax liability		560	560
		64,084	560
Current liabilities			
Trade payables	17	11,106	9,127
Accruals and other payables		28,128	20,200
Lease liabilities		37,949	–
Bank borrowings	16	20,105	11,271
		97,288	40,598
Total liabilities		161,372	41,158
Total equity and liabilities		337,671	229,878
Net current assets		125,539	176,403
Total assets less current liabilities		240,383	189,280

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 April 2018 as originally presented (audited)	10,000	98,122	(1)	81,518	189,639
Effect of adoption of HKFRS 9	-	-	-	(1,387)	(1,387)
Balance at 1 April 2018 as restated (audited)	10,000	98,122	(1)	80,131	188,252
Profit and total comprehensive income for the period	-	-	-	552	552
Balance at 30 September 2018 (unaudited)	10,000	98,122	(1)	80,683	188,804
Balance at 1 April 2019 (audited)	10,000	98,122	(1)	80,599	188,720
Loss and total comprehensive expense for the period	-	-	-	(12,421)	(12,421)
Balance at 30 September 2019 (unaudited)	10,000	98,122	(1)	68,178	176,299

Note: 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 of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

		(Unaudited) Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000
	Note		
Cash flows from operating activities			
	18	13,233	(8,060)
		–	(1,898)
Net cash generated from/(used in) operating activities		13,233	(9,958)
Cash flows from investing activities			
		–	380
		(4,478)	(279)
		–	(869)
		420	103
Net cash used in investing activities		(4,058)	(665)
Cash flows from financing activities			
		58,700	41,000
		(49,869)	(51,662)
		(15,629)	–
		(174)	(494)
Net cash used in financing activities		(6,972)	(11,156)
Net increase/(decrease) in cash and cash equivalents		2,203	(21,779)
Cash and cash equivalents at beginning of period		89,546	142,245
Cash and cash equivalents at end of period		91,749	120,466

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

A & S Group (Holdings) Limited 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 Group is principally engaged in the 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 the 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 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 2019

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 2019*

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

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

HKFRS 16 Leases (“HKFRS 16”)

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any value remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financial cash flows by the Group.

Other than certain requirements which are applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group has adopted the modified retrospective application permitted by HKFRS 16 upon adoption of the new standard. Accordingly, the standard has been applied for the period beginning on 1 April 2019 (i.e. the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts as at 1 April 2019 in equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 (Continued)*

Modified retrospective application of HKFRS 16 also requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17 measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application, i.e. 1 April 2019.

The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, and discounted using the Group's incremental borrowing rate at the date of initial application. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.875%.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liabilities and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	(Unaudited) HK\$'000
Operating lease commitments as at 31 March 2019 (Audited)	106,965
Less: Short-term leases accounted for as expense using the straight-line basis	(8,133)
	<hr/>
Gross lease liabilities at 1 April 2019 (Unaudited)	98,832
Discounted operating lease commitments as at 1 April 2019	(7,602)
	<hr/>
Lease liabilities as at 1 April 2019 (Unaudited)	91,230
	<hr/>
Of which are:	
Current lease liabilities	30,541
Non-current lease liabilities	60,689
	<hr/>
	91,230
	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 (Continued)*

The adjustments resulted from the initial application of HKFRS 16 at 1 April 2019 are set out below. The prior period amounts were not adjusted.

	(Audited) As at 31 March 2019 HK\$'000	Impact on initial application of HKFRS 16 HK\$'000	(Unaudited) As at 1 April 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	91,230	91,230
Non-current liabilities			
Lease liabilities	–	60,689	60,689
Current liabilities			
Lease liabilities	–	30,541	30,541

The impacts of HKFRS 16 on the interim condensed consolidated statement of profit or loss and other comprehensive income of the Group are set out as below.

	(Unaudited) Six months ended 30 September 2019		
	As per HKAS 17 HK\$'000	As per HKFRS 16 HK\$'000	Impact due to change HK\$'000
Rental expenses	(23,966)	(8,337)	15,629
Depreciation	(3,386)	(13,251)	(9,865)
Finance costs	(174)	(5,938)	(5,764)
Loss for the period	(12,421)	(12,421)	–

The Directors anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

- (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 2019 and have not been early adopted by the Group*

		Effective for accounting year beginning on or after
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020

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.

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	
	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers and recognised over time:		
Air freight forwarding ground handling services	108,198	118,952
Air cargo terminal operating services	105,974	105,490
	214,172	224,442
Other income and gains		
Bank interest income	420	103
Gain on disposal of property, plant and equipment	–	357
Income from sales of scrap materials	193	472
Others	586	811
	1,199	1,743

Transaction price allocated to remaining performance obligations

The Group's contracts include promises to perform an undefined quantity of tasks at fixed contractual rates per unit, with no contractual minimums that would make some or all of the consideration fixed. As a result, the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage. In light of this, the analysis of the transaction price that is allocated to remaining performance obligations is not disclosed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3 REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION (CONTINUED)

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 2019 and 2018 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	
	2019 HK\$'000	2018 HK\$'000
Customer A	105,974	105,490
Customer B ¹	79,936	88,308

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

4 (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Included in direct costs:		
Direct labour costs	58,487	57,041
Dispatched labour costs	89,694	94,024
Costs of packaging materials	3,332	4,840
Depreciation on property, plant and equipment	1,841	1,784
Depreciation on right-of-use assets	9,865	–
Forklift rental	5,347	5,642
Loss on disposal of property, plant and equipment	598	–
Operating lease rental on		
– Car parking spaces	702	699
– Warehouses and loading bay	2,108	19,463
Included in administrative and other operating expenses:		
Auditors' remuneration	525	450
Depreciation on property, plant and equipment	1,545	1,295
Operating lease rental on premises	180	180
Staff costs, including directors' emoluments	7,381	6,635

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

5 FINANCE COSTS

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Interest on bank borrowings	174	494
Interest on lease liabilities	5,764	–
	5,938	494

6 INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

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 six months ended 30 September 2019 and 2018.

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	
	2019 HK\$'000	2018 HK\$'000
Hong Kong profits tax: – Current income tax	–	67

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

7 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2019	2018
(Loss)/profit attributable to owners of the Company (HK\$'000)	(12,421)	552
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ('000)	1,000,000	1,000,000
Basic (loss)/earnings per share (HK cents)	(1.24)	0.06

Diluted (loss)/earnings per share for the six months ended 30 September 2019 and 2018 are the same as basic (loss)/earnings per share due to the absence of dilutive potential ordinary shares during the respective periods.

8 DIVIDENDS

No dividend was paid or proposed for the shareholders of the Company during the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with a cost of HK\$4,478,000 (six months ended 30 September 2018: HK\$279,000). The Group also disposed of certain items of property, plant and equipment at the aggregate carrying amount of HK\$598,000 during the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$23,000).

10 RIGHT-OF-USE ASSETS

During the six months ended 30 September 2019, the Group entered into a new lease agreement for the use of forklifts for 3 years. On lease commencement, the Group recognised approximately HK\$20,108,000 of right-of-use assets and lease liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11 CLUB MEMBERSHIP

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Club membership	869	869

The club membership with indefinite useful lives is stated at cost less impairment loss and is tested for impairment annually whenever there is an indication of impairment. The directors are of the opinion that no indication of impairment loss was identified with reference to market value.

12 TRADE RECEIVABLES

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Trade receivables	108,438	102,921
Less: Loss allowance	(2,347)	(2,347)
	106,091	100,574

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:

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
0-30 days	67,893	40,291
31-60 days	3,654	52,109
61-90 days	24,453	9,658
Over 90 days	12,438	863
	108,438	102,921
Less: Loss allowance	(2,347)	(2,347)
	106,091	100,574

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Deposits	7,702	7,808
Prepayments	10,523	12,159
Other receivables	64	219
	18,289	20,186

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.

14 CASH AND BANK BALANCES AND PLEDGED DEPOSIT

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Cash at banks (Note a)	18,846	68,822
Cash on hand	903	724
Time deposits	75,007	23,004
	94,756	92,550
Less: Pledged deposit (Note b)	(3,007)	(3,004)
Cash and bank balances	91,749	89,546

Notes:

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (b) As at 31 March 2019 and 30 September 2019, 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 2019

15 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	1,000,000,000	10,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16 BANK BORROWINGS

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Current		
Bank borrowings	20,105	11,271

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 2019 and 30 September 2019;
- (ii) Unlimited corporate guarantee by the Company as at 31 March 2019 and 30 September 2019; and
- (iii) Certain cash deposits of the Group of approximately HK\$3,007,000 as at 30 September 2019 (31 March 2019: HK\$3,004,000).

The interest rates per annum of borrowings are as follows:

	(Unaudited) As at 30 September 2019	(Audited) As at 31 March 2019
Bank borrowings	1.80% to 3.88%	1.80% to 3.63%

17 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 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
0-30 days	8,806	5,192
31-60 days	374	1,115
61-90 days	630	455
Over 90 days	1,296	2,365
	11,106	9,127

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

18 NOTES TO INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before tax	(12,421)	619
Adjustments for:		
Depreciation on property, plant and equipment	3,386	3,079
Depreciation on right-of-use assets	9,865	–
(Loss)/gain on disposal of property, plant and equipment	598	(357)
Interest income	(420)	(103)
Interest expense on bank borrowings	174	494
Interest expense on lease liabilities	5,764	–
Operating profit before working capital changes	6,946	3,732
Increase in trade receivables	(5,517)	(11,466)
Decrease/(increase) in other receivables, deposits and prepayments	1,897	(1,503)
Increase in trade payables	1,979	23
Increase in accruals and other payables	7,928	1,154
Net cash generated from/(used in) operations	13,233	(8,060)

19 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 2019, 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

19 RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related party	Nature of transactions	(Unaudited) Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000
Mr. Alex Law and Mr. Simon Law	Office premises rental	180	180
Gobo Trade Limited	Revenue from logistics services	481	1,246
	Purchases of office supplies	544	536
	Purchases of packaging materials	3,332	4,791
Hung Kee Body Building Factory Limited	Vehicle repair and maintenance expenses	897	720

20 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 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Within one year	–	1,110
	–	1,110

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

20 COMMITMENTS (CONTINUED)

(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 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Within one year	2,351	39,715
In the second to fifth years inclusive	–	67,250
	2,351	106,965

As at 31 March 2019, 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. Since 1 April 2019, such leases were accounted for according to HKFRS16. As at 1 April 2019 and 30 September 2019, the Group had recognised lease liabilities of approximately HK\$91,230,000 and HK\$101,473,000 respectively.

(c) Capital commitment

The Group did not have any capital expenditure commitments contracted but not provided for property, plant and equipment as at 30 September 2019 (31 March 2019: Nil).

21 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. The decreases of trade volume and purchases order have affected the Group's business expansion and revenue. The Group will adopt a flexible and prudent approach in handling the current situation, evaluate the risk cautiously, and try to mitigate the impact resulting from the tariffs. For the Group's development strategy, it will continuously improve its service quality, actively expand its customer bases to increase its revenue sources and be committed to strengthening its competitiveness in the logistics service industry. At the same time, the Group will conduct cost control measures carefully and optimise the expenses structure of the Group.

During the six months ended 30 September 2019, the financial performance of the Group was affected by (i) the decrease in overall cargo volume processed by the Group; 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 processed by the Group. 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.

FINANCIAL REVIEW

Turnover

Revenue of the Group decreased by approximately 4.5% from approximately HK\$224.4 million for the six months ended 30 September 2018 to approximately HK\$214.2 million for the six months ended 30 September 2019. Such decrease was mainly driven by the drop in overall cargo volume processed for both air freight forwarding ground handling services and air cargo terminal operating services, which were possibly due to the trade tensions between the United States and China.

Gross profit and gross profit margin

Gross profit decreased by approximately 12.1% from approximately HK\$23.1 million for the six months ended 30 September 2018 to approximately HK\$20.3 million for the six months ended 30 September 2019. 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, partially offset by the impact of adoption of HKFRS16 as the interest elements of the lease liabilities in relation to forklifts, warehouses and loading bay were reported under finance costs for the six months ended 30 September 2019 whereas all of such lease payments had been reported under direct costs for the six months ended 30 September 2018.

The Group's gross profit margin for the six months ended 30 September 2019 was approximately 9.5%, representing a decrease of approximately 0.8% as compared to approximately 10.3% for the six months ended 30 September 2018.

Other income and gains

Other income and gains mainly comprised of bank interest income, gain on disposal of property, plant and equipment, income from sales of scrap materials and other miscellaneous income. Other income and gains decreased by approximately 29.4% from approximately HK\$1.7 million for the six months ended 30 September 2018 to approximately HK\$1.2 million for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 17.7% from approximately HK\$23.7 million for the six months ended 30 September 2018 to approximately HK\$27.9 million for the six months ended 30 September 2019, which was mainly attributable to the warehouse relocation expenses, additional security personnel for X-ray cargo inspection equipment and salary adjustments.

Finance costs

Finance costs increased from approximately HK\$0.5 million for the six months ended 30 September 2018 to approximately HK\$5.9 million for the six months ended 30 September 2019 mainly due to the recognition of the impact of HKFRS 16 as the interest elements of the lease liabilities.

Income tax expense

The Group recorded a loss before tax for the six months ended 30 September 2019, as compared to a profit before tax of approximately HK\$0.6 million for the six months ended 30 September 2018. Therefore, no income tax expense was recognised for the six months ended 30 September 2019.

(Loss)/profit and total comprehensive (expense)/income for the period

As a result of the foregoing, the Group recorded a loss and total comprehensive expense attributable to owners of the Company of approximately HK\$12.4 million for the six months ended 30 September 2019 as compared to 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.

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 its shareholders. As at 30 September 2019, the Group had net current assets of approximately HK\$125.5 million (31 March 2019: HK\$176.4 million), cash and bank balances of approximately HK\$91.7 million (31 March 2019: HK\$89.5 million) and pledged bank deposit with original maturity over three months of approximately HK\$3.0 million (31 March 2019: HK\$3.0 million).

As at 30 September 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK\$176.3 million (31 March 2019: HK\$188.7 million), and the Group's total debt comprising bank borrowings and lease liabilities amounted to approximately HK\$121.6 million (31 March 2019: HK\$11.3 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 the date of this report. The capital of the Group only comprised of ordinary shares.

GEARING RATIO

As at 30 September 2019, the gearing ratio (calculated on the basis of total bank borrowings and lease liabilities divided by the total equity of the Group) was approximately 69.0% (31 March 2019: 6.0%). The increase in gearing ratio was mainly due to the increase in lease liabilities for the right-of-use assets recognised under HKFRS 16 in the current period.

COMMITMENTS

As at 30 September 2019, the Group did not have any material capital commitments (31 March 2019: Nil).

As at 30 September 2019, the Group's operating lease commitments were approximately HK\$2.4 million (31 March 2019: HK\$107.0 million).

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liability (31 March 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON EMPLOYEES

As at 30 September 2019, the Group employed 443 employees (31 March 2019: 465 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. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the six months ended 30 September 2019 amounted to approximately HK\$65.9 million (six months ended 30 September 2018: HK\$63.7 million).

CHARGE ON GROUP ASSETS

Certain cash deposits of the Group of approximately HK\$3.0 million as at 30 September 2019 and 31 March 2019 are charged to the bank to secure general banking facilities.

FOREIGN EXCHANGE EXPOSURE

The Group currently is 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 any future growth opportunities.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 3 to this report.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group did not have any significant investments held, material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 September 2019. There is no other plan for material investments or capital assets as at 30 September 2019.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

EVENT AFTER REPORTING PERIOD

Saved as disclosed in this report, there is no other important event affecting the Group since 30 September 2019 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 28 February 2018 (the “**Prospectus**”) with the Group’s actual business progress for the period from the Listing Date to 30 September 2019 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2019 as stated in the Prospectus	Actual business progress up to 30 September 2019
Setting up of new warehouse premises	<ul style="list-style-type: none">– Rental deposit of new warehouse premises in Tuen Mun of around 130,000 sq. ft.– Fitting out and renovation of new warehouse premises– Installation of CCTV system, access control system and burglar alarm system– Installation of cargo storage and forklift operation systems in the new warehouse premises– Installation of RFID applications in the various storage locations in the new warehouses premises for cargo in and out segregation– Installation of measurement and control systems such as automatic measurement and weight check systems for pallet– Acquire mobile devices for scanning applications– Commence operations of the new warehouse premises– Working capital for the initial operation of new warehouse premises	The Group is in the course of identifying suitable warehouse premises. Due to the Group’s specific requirements on the warehouse premises and the property market condition of Hong Kong, the Group has taken more time to identify suitable premises for rental on terms acceptable to the Group

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2019 as stated in the Prospectus	Actual business progress up to 30 September 2019
Upgrading existing facilities and acquiring additional trucks and equipment	<ul style="list-style-type: none"> – Acquire two additional 5.5 ton trucks, three additional 9 ton trucks and ten additional 16 ton trucks 	The Group has acquired five additional 16 ton trucks
	<ul style="list-style-type: none"> – Upgrade other existing facilities in the Group’s warehouses and offices, such as shelving and racking, CCTV surveillance and fire equipment and RFID applications 	The Group has upgraded the CCTV surveillance equipment and security system of the warehouses
	<ul style="list-style-type: none"> – Install two automatic measurement and weight check systems for cargo pallets in cargo receiving areas in the existing warehouses 	Subsequent to 30 September 2019, the Group has installed one unit of automatic measurement and weight check system. The new system was under trial
	<ul style="list-style-type: none"> – Install two security X-ray inspection systems for cargo pallets to applicable standard of the Transportation Security Administration of the United States for cargo screening process areas in our existing warehouses 	The Group has made deposit payment for the purchase of three units of X-ray machines to upgrade the air cargo security screening facilities
Implementing new information technology system	<ul style="list-style-type: none"> – Plan for upgrading the existing warehouse management system and accounting system 	Phase I of the upgraded system has been completed. Phase II is expected to go live in the first quarter of year 2020
	<ul style="list-style-type: none"> – Implement and evaluate the performance of the upgraded warehouse management system and accounting system 	
	<ul style="list-style-type: none"> – Recruit two experienced personnel responsible for the planning and implementation of the information system upgrade and maintain the cost of additional personnel for information system upgrade 	The Group has recruited one experienced personnel responsible for the information system upgrade
	<ul style="list-style-type: none"> – Upgrade the existing hardwares, acquiring new computer facilities, implementing and engage specialised service providers to develop the new human resources management system 	The Group is working with its information technology consultant to study the hardwares and computer facilities upgrade. Subsequent to 30 September 2019, the Group has paid the first instalment for implementing the new human resources management system

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, 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 2019 is set out below:

	Planned use of net proceeds up to 30 September 2019 HK\$ million	Actual use of net proceeds up to 30 September 2019 HK\$ million	Unutilised use of net proceeds up to 30 September 2019 HK\$ million
Setting up of new warehouse premises	34.0	–	34.0
Upgrading on existing facilities and acquisition of additional trucks and equipment	34.0	10.8	23.2
New information technology system	13.3	0.7	12.6
General working capital	5.5	5.5	–
	<hr/>	<hr/>	<hr/>
	86.8	17.0	69.8

For the setting up of new warehouse premises, the Group is in the course of identifying suitable warehouse premises. Due to the Group's specific requirements on the warehouse premises and the property market condition of Hong Kong, the Group has taken more time to identify suitable premise for rental on terms acceptable to the Group.

For the upgrading on existing facilities and acquisition of additional trucks and equipment, the Group is in the course of upgrading the existing facilities of warehouse as mentioned above. Due to the trade tensions between the United States and China, the overall cargo volume processed decreased. The Group considers to utilise this unused proceeds according to the needs of the current business operation of the Group.

The remaining unutilised net proceeds as at 30 September 2019 were placed as deposits with licensed banks in Hong Kong and are currently intended to be applied in the manner consistent with the proposed allocations as set out in the Prospectus. The Directors will review the Group's business strategies and specific needs from time to time, and the Company will make further announcement if there are any changes in the use of net proceeds as and when appropriate. Such amounts are expected to be fully utilised by 30 September 2020.

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 2019, the interests and short positions of each 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 for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

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
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 750,000,000 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 for the purpose of the SFO.
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 for the purpose of the SFO.

Save as disclosed above, as at 30 September 2019, 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 2019, 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 5% 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 the same number of 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 the same number of 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 2019, 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 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 5% 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 has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

COMPETING BUSINESS

During the six months ended 30 September 2019, none of the Directors or the controlling shareholders of the Company (the "**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 (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 section headed "Relationship with our Controlling Shareholders – Non-competition undertakings" in the Prospectus.

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the 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 2019.

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 the Group. 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 to the Group. 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 out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

For the six months ended 30 September 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

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 2019 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. Kwan 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 2019 are unaudited, but 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 2019 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and the interim report are published on the website of the Stock Exchange at (www.hkexnews.hk) and the Company's website at (www.asl.hk). The interim report of the Company for the six months ended 30 September 2019 will be dispatched to the shareholders of the Company. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed interim report, free of charge, at any time by writing to the Company or the Company's registrar, Tricor Investor Services Limited.

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

Hong Kong, 20 November 2019

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. Iu Tak Meng Teddy and Mr. Kwan Ngai Kit as independent non-executive Directors.