A & S Group (Holdings) Limited

亞洲實業集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1737

Annual Report

2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

BOARD COMMITTEES

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

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

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

COMPANY SECRETARY

Ms. 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

Ocorian 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

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

STOCK CODE

1737

COMPANY'S WEBSITE

www.asl.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of A & S Group (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I hereby present the annual results of the Group for the year ended 31 March 2020 (the "**Review Year**" or "**FY2020**").

OVERVIEW

In 2019, the Sino-U.S. trade tensions had continued and put pressure on the global economic growth. In addition, the social movement in Hong Kong in the second half of 2019 and outbreak of the novel coronavirus ("**COVID-19**") at the end of January 2020 have created further impact on the industry. With the global economic uncertainties and certain social instabilities, it was a tough and challenging time for the Group.

During the year ended 31 March 2020, the Group recorded a 6.6% decrease in revenue to approximately HK$418.1 million from approximately HK$447.6 million for the year ended 31 March 2019 (the "**Previous Year**" or "**FY2019**"). The decline was mainly driven by affected by the decrease in overall cargo volume processed by the Group. In line with the decrease in revenue, the Group's gross profit decreased to approximately HK$40.9 million for the Review Year from approximately HK$46.7 million in FY2019.

FORWARD

Looking ahead, we remain positive on the Group's future business performance despite the challenging macroeconomic circumstance. The Group provides air freight forwarding ground handling services to our customers, who are generally global logistics companies and major freight forwarding agents, with the Group's facilities at its own rented warehouse premises in the Airport Freight Forwarding Centre ("**AFFC**"). To strengthen the Group's competitiveness and better control the cost, the Group targets to rent a new warehouse and update its Warehouse Management System ("**WMS**").

Air freight forwarding ground handling services occupy the major part of revenue for the Group; therefore, we are exploring new customers and striving to drive the revenue growth. Now, the Group has secured some new customers for air freight forwarding ground handling services, which are expected to increase the Group's cargo volume proceed in the coming financial year.

To minimise the negative impacts of global economic uncertainties, the Group will also continue to adopt a tighten cost control procedure. The Group has adopted manpower re-allocation measures and salary adjustment. The Group also applied subsidy from government, and we believe that the allowance can help the Group to overcome this tough moment. Besides, we will continue to seek business opportunities to maximize the return to our shareholders.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to our shareholders, customers, suppliers and business partners who trust and maintain faithful to the Group. I would also like to extend our sincere thanks to our management and staff for their diligence, dedication and contribution throughout the years.

Law Kwok Leung Alex
Chairman and Executive Director
Hong Kong, 23 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

As an established air freight forwarding ground handling services provider and air cargo terminal operating services provider in Hong Kong, the Group continues to provide services to customers including global logistics companies and major freight forwarding agents in the FY2020.

To against the challenges brought by the trade tensions between United States of America (the "**US**") and the People's Republic of China (the "**PRC**") and outbreak of COVID-19, the Group is adopting flexible approaches in business operation and closely monitoring the market situation for timely action.

In FY2020, being affected by the decrease in overall cargo volume proceeds and relatively high labour cost, the Group had a moderate operation and financial performance. Looking ahead, to mitigate the possible negative impact of the trade tensions between the US and the PRC, the Group will execute cost control measures strategically.

Besides, it will actively seek for new opportunities. In view of the effective control of COVID-19 in mainland China and Hong Kong, the management believes that the demand of transport, including air cargo, ground transportation and warehousing services will resume soon. To meet the demand as expected, the Group will prepare for the resumption and keep improving the quality of its services, acquiring new customers, as well as upgrading its existing facilities and seize the opportunities arising from the rapid development of e-commerce so as to facilitate the long-term growth of the Group.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 6.6% from approximately HK$447.6 million for the FY2019 to approximately HK$418.1 million for the FY2020. 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, which possibly due to the continuance of trade war between the US and the PRC.

Gross profit and gross profit margin

Gross profit decreased by approximately 12.4% from approximately HK$46.7 million for the FY2019 to approximately HK$40.9 million for the FY2020. Such decrease was primarily resulted from the decrease in revenue. The Group's gross profit margin for the FY2020 was approximately 9.8%, representing a decrease of approximately 0.6% as compared to approximately 10.4% for the FY2019.

Other income and gains

Other income and gains mainly comprised of bank interest income, income from sale of scrap materials, management fee income and other miscellaneous income. Other income and gains increased from approximately HK$4.0 million for the FY2019 to approximately HK$8.3 million for the FY2020.

Administrative and other operating expenses

Administrative and other operating expenses slightly increased by approximately 4.5% from approximately HK$48.6 million for the FY2019 to approximately HK$50.8 million for the FY2020, which was mainly attributable to the warehouse relocation expenses and additional security personnel expenses for X-ray cargo inspection equipment.

Finance costs

Finance costs increased from approximately HK$0.8 million for the FY2019 to approximately HK$7.2 million for the FY2020, mainly due to the recognition of the interest elements of the lease liabilities following the adoption of the HKFRS 16.

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

As a result of the foregoing, the Group recorded a loss and total comprehensive expense attributable to owners of the Company of approximately HK$8.9 million for the FY2020 as compared to a profit of approximately HK$0.5 million for the FY2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its business operations, bank borrowings and equity contribution from shareholders. As at 31 March 2020, the Group had net current assets of approximately HK$134.6 million (31 March 2019: HK$ 176.4 million), cash and bank balances of approximately HK$90.3 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 31 March 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK$179.9 million (31 March 2019: HK$188.7 million), and the Group's total debt comprising bank borrowings and lease liabilities amounted to approximately HK$97.4 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 date of this annual report. The capital of the Group only comprised of ordinary shares.

GEARING RATIO

As at 31 March 2020, the gearing ratio (calculated on the basis of total bank borrowings and lease liabilities divided by total equity of the Group was approximately 54.1% (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 31 March 2020, the Group did not have any material capital commitments (31 March 2019: Nil).

As at 31 March 2020, the Group's operating lease commitments were approximately HK$0.8 million (31 March 2019: HK$107.0 million).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liability (31 March 2019: Nil).

INFORMATION ON EMPLOYEES

As at 31 March 2020, the Group employed 427 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 Fund contributions) for the year ended 31 March 2020 amounted to approximately HK$129.8 million (31 March 2019: HK$131.0 million).

CHARGE ON GROUP ASSETS

Certain cash deposits of the Group of approximately HK$3.0 million as at 31 March 2020 and 31 March 2019 are charged to the bank to secure general banking facilities.

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICY

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

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed in Note 5 to this annual 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 annual report, the Group did not have any significant investments held, material acquisition or disposal of subsidiaries and affiliated companies for the FY2020. There is no other plan for material investments or capital assets as at 31 March 2020.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the FY2020 (the FY2019: Nil).

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 31 March 2020 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2020 as stated in the Prospectus	Actual business progress up to 31 March 2020
Setting up of new warehouse premises	– 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	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

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2020 as stated in the Prospectus	Actual business progress up to 31 March 2020
	– Acquire mobile devices for scanning applications	
	– Commence operations of the new warehouse premises	
	– Working capital for the initial operation of new warehouse premises	
Upgrading existing facilities and acquiring additional trucks and equipment	– 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. Subsequent to 31 March 2020, the Group has acquired five additional 16 ton trucks
	– 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
	– Install two automatic measurement and weight check systems for cargo pallets in cargo receiving areas in the existing warehouses	The Group has installed one unit of automatic measurement and weight check system
	– Install 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 the existing warehouses	The Group has installed three units of X-ray machines to upgrade the air cargo security screening facilities. Subsequent to 31 March 2020, the Group made deposit payment for purchase of two additional units of X-ray machines
	– Maintenance for the upgraded and new facilities or other existing facilities	A portion of the net proceeds were used to maintain the upgraded and new facilities or other existing facilities but not fully utilised due to delay in the schedule as discussed above

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2020 as stated in the Prospectus	Actual business progress up to 31 March 2020
Implementing new information technology system	– Plan for upgrading the existing warehouse management system and accounting system – Implement and evaluate the performance of the upgraded warehouse management system and accounting system	Phase II of the upgraded system has been completed. The Group is working with its information technology consultants to integrate the traffic management system and the warehouse management system and is expected to go live in the first quarter of year 2021. As the implementation of the upgraded systems involve the integration and modification of a few systems together, such system enhancement has taken longer time than expected
	– 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
	– 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. The new human resources management system is expected to go live in the first quarter of year 2021
	– Implement and evaluate the performance of the new human resources management system	

USE OF PROCEEDS FROM THE 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 31 March 2020 is set out below:

	Planned use of net proceeds up to 31 March 2020 HK$ million	Actual use of net proceeds up to 31 March 2020 HK$ million	Unutilised use of net proceeds up to 31 March 2020 HK$ million
Setting up of new warehouse premises	35.2	–	35.2
Upgrading on existing facilities and acquisition of additional trucks and equipment	35.2	14.1	21.1
New information technology system	13.9	2.1	11.8
General working capital	5.5	5.5	–
	89.8	21.7	68.1

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 and outbreak of COVID-19, 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 31 March 2020 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 on the use of net proceeds as and when appropriate. Such amounts are expected to be fully utilised within 2 years.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are substantially from the customers with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history in order to mitigate credit risks. The Group is subject to concentration of credit risk with respect to trade receivables. No provision for doubtful debts was recognised during the FY2020 because there were subsequent settlements or no historical default of payments by the respective customers and the amounts are still considered recoverable.

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

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

Liquidity risk

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

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

Interest rate risk

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

Due to the nature of the business of the Group, the Group's operations do not directly generate industrial pollutants, and as such the Group did not incur direct costs of compliance with applicable environmental protection rules and regulations during the reporting period. The Directors expected that the Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at 31 March 2020, the Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

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

EVENTS AFTER THE REPORTING PERIOD

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by the COVID-19 outbreak and will continue to evaluate its impact on the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

Saved as disclosed in this annual report, there is no other important event affecting the Group since 31 March 2020 and up to date of this annual report.

EXECUTIVE DIRECTORS

Mr. Law Kwok Leung Alex（羅國樑）

Mr. Law Kwok Leung Alex ("**Mr. Alex Law**"), aged 40, is the chairman of the Company (the "**Chairman**") and an executive Director. Mr. Alex Law is responsible for the overall strategic management and development of the Group's business operations. He was appointed as a Director on 7 July 2016 and re-designated as the Chairman and an executive Director on 3 July 2017. Mr. Alex Law is also a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company. He has been a director of A & S (HK) Logistics Limited since 9 October 2002.

Mr. Alex Law has over 17 years of experience in warehouse management and transportation and logistics industry. He founded the Group in October 2002 and expanded his business over the years. In September 2014, Mr. Alex Law received the Outstanding Entrepreneurship Award from Asia Pacific Entrepreneurship Awards 2014 organised by Enterprise Asia.

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

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

Mr. Law Kwok Ho Simon（羅國豪）

Mr. Law Kwok Ho Simon ("**Mr. Simon Law**"), aged 45, is an executive Director. Mr. Simon Law was appointed as a Director on 7 July 2016 and re-designated as an executive Director on 3 July 2017. Mr. Simon Law is responsible for overseeing the Group's operation, business development, finance and administration. He became a director of A & S (HK) Logistics Limited in December 2012.

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

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

Mr. Chiu Tat Ting Albert（趙達庭）

Mr. Chiu Tat Ting Albert ("**Mr. Albert Chiu**"), aged 57, is the chief executive officer of the Company (the "**Chief Executive Officer**") and an executive Director. Mr. Albert Chiu first joined the Company in August 2010 and he was appointed as a Director on 7 July 2016 and re-designated as the Chief Executive Officer and an executive Director on 3 July 2017. Mr. Albert Chiu is responsible for overseeing the Group's operation, business development, finance and administration.

Mr. Albert Chiu has over 32 years of experience in cargo hub operations, quality assurance, terminals and traffic operations and warehouse management. Prior to joining the Group, he worked at Cathay Pacific Airways Limited from 1986 to 1999 and his last position was cargo services coordinator. He then served in DHL Global Forwarding (Hong Kong) Limited from 1999 to 2008 and his last position was assistant general manager – warehouse. He worked for CEVA Logistics (Hong Kong) Limited from 2008 to 2010 with his last position as director – warehouse and transportation.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chun Chung Patrick（何振琮）

Mr. Ho Chun Chung Patrick ("**Mr. Ho**"), aged 56, was appointed as an independent non-executive Director on 21 February 2018. He is the chairman of the Remuneration Committee and a member of each of the audit Committee of the Company (the "**Audit Committee**") and the Nomination Committee. Mr. Ho is responsible for providing independent judgment on the issues of operation strategy, performance, resources and standard of conduct of the Group.

Mr. Ho worked in PricewaterhouseCoopers from 1987 to 1991 and Gold Peak Industries (Holdings) Limited (stock code: 40) from 1992 to 2000 with his last position as financial controller and Chen Hsong Holdings Limited (stock code: 57) from 2002 to 2005 as financial controller. Mr. Ho was an independent non-executive director of Tesson Holdings Limited (stock code: 1201) from 2014 to 2016 and Asia Investment Finance Group Limited (currently known as China Cloud Copper Company Limited) (stock code: 33) from 2015 to 2018 respectively. He has been the independent non-executive director of Ling Yui Holdings Limited (stock code: 784) since December 2017.

Mr. Ho obtained a professional diploma in accountancy from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1987 and a master degree in finance from the City University of Hong Kong in December 1996. Mr. Ho is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since February 1991 and October 1995, respectively.

Mr. Iu Tak Meng Teddy（余德鳴）

Mr. Iu Tak Meng Teddy ("**Mr. Iu**"), aged 57, was appointed as an independent non-executive Director on 21 February 2018. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Iu is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group.

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

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

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

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

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

Mr. Kwan Ngai Kit（關毅傑）

Mr. Kwan Ngai Kit ("**Mr. Kwan**"), aged 40, was appointed as an independent non-executive Director on 21 February 2018. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Kwan is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Kwan has over 12 years of experience in auditing, accounting and corporate management. Mr. Kwan is currently the chief financial officer and the company secretary of Modern Dental Group Limited (stock code: 3600). Mr. Kwan also has been the independent non-executive director of Leyou Technologies Holdings Limited (stock code: 1089) since July 2017, Lai Group Holding Company Limited (stock code: 8455) since March 2017 and Rare Earth Magnesium Technology Group Holdings Limited (stock code: 601), which has applied the appointment of "light touch" joint provisional liquidators for a possible debt restructuring in July 2020, since June 2016.

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

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

SENIOR MANAGEMENT

Mr. Cheung Tai Lung（張泰隆）

Mr. Cheung Tai Lung ("**Mr. Cheung**"), aged 35, is the general manager of corporate development of the Group. Mr. Cheung first joined the Group in July 2010 as an assistant manager. He was first promoted to manager of operation excellence in January 2012 and then to senior manager of operation excellence in January 2014 and became the assistant general manager of account management in April 2015. He was appointed as the general manager of corporate development on 1 July 2017. Mr. Cheung is primarily responsible for developing and implementing strategic initiatives.

Mr. Cheung has 11 years of experience in the logistics industry. Prior to joining the Group, Mr. Cheung served as a management trainee at CEVA Logistics (Hong Kong) Limited from July 2008 to February 2010.

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

In 2018, Mr. Cheung received the Young Career Award by The Hong Kong Polytechnic University. It recognises the career achievements of PolyU alumni, as well as his contributions to the university and society at large.

Mr. Law Kwok Pan（羅國斌）

Mr. Law Kwok Pan ("**Mr. Anthony Law**"), aged 38, was appointed as the procurement manager on 1 May 2008. He is responsible for devising and conducting effective procurement and sourcing strategies.

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

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

COMPANY SECRETARY

Ms. Ng Hoi Ying（吳愷盈）

Ms. Ng Hoi Ying ("**Ms. Ng**"), aged 33, was appointed as the company secretary (the "**Company Secretary**") of the Company on 1 March 2019.

She obtained a degree of Bachelor of Business Administration (Honours) in Accountancy from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Ng has over 11 years of experience in auditing, accounting and financial reporting. She worked as senior auditor of Deloitte Touche Tohmatsu from September 2008 to November 2011. From November 2011 to October 2014, Ms. Ng worked as a senior accountant in Asia Maritime Pacific (Hong Kong) Limited, a privately-owned shipping company. From October 2014 to October 2018, Ms. Ng worked as finance manager of Ngai Shun Construction & Drilling Company Limited, a subsidiary of Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange. She is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving a high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. The Company has adopted the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the FY2020, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by the Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standards of dealing set out in the Model Code and there was no event of non-compliance throughout the year.

DIRECTORS' RESPONSIBILITIES

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

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

DELEGATION BY THE BOARD

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

Board Composition

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

Executive Directors

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

Independent Non-executive Directors

Mr. Ho Chun Chung Patrick
Mr. Iu Tak Meng Teddy
Mr. Kwan Ngai Kit

Biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" on pages 11 to 14 of this annual report.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensuring that the interests of all shareholders of the Company are taken into account. The requirement regarding representation of independent non-executive Directors is that, there must be more than one-third of the members of the Board with at least one of them has appropriate professional qualifications or accounting or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director has entered into a service contract with the Company on 3 July 2017. The letters of appointment of Mr. Ho, Mr. Iu and Mr. Kwan are for an initial term of three years commencing from 21 February 2018. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable Listing Rules.

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

Mr. Simon Law and Mr. Ho will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on Friday, 21 August 2020. Each of them, both being eligible, will offer themselves for re-election.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not performed by the same individual in order to balance the distribution of power. Mr. Alex Law was the Chairman of the Board and Mr. Albert Chiu is the Chief Executive Officer through out the FY2020.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the FY2020, the Company has provided and all Directors have attended at least one training course on the updates of the Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

BOARD COMMITTEES

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

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

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

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

Remuneration Committee

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

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the FY2020. No Director or any of his associates is involved in deciding his own remuneration.

Nomination Committee

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

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

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

Audit Committee

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

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

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

During the FY2020, the Audit Committee held three meetings to review and comment on the Company's 2019 annual results and 2019 interim results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the FY2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the FY2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. During the FY2020, the Chairman held at least one meeting with the independent non-executive Directors without presence of other executive Directors.

Details of all Directors' attendance at the Board meeting and Board committees' meeting held during the FY2020 are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2019 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors					
Mr. Law Kwok Leung Alex	4/4	–	1/1	1/1	1/1
Mr. Law Kwok Ho Simon	4/4	–	–	–	1/1
Mr. Chiu Tat Ting Albert	4/4	–	–	–	1/1
Independent non-executive Directors					
Mr. Ho Chun Chung Patrick	4/4	3/3	1/1	1/1	1/1
Mr. Iu Tak Meng Teddy	4/4	3/3	1/1	1/1	1/1
Mr. Kwan Ngai Kit	4/4	3/3	1/1	1/1	1/1

COMPANY SECRETARY

The Company Secretary assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

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

For the FY2020, Ms. Ng had taken no less than 15 hours of relevant professional training to develop her skills and knowledge. The biographical details of Ms. Ng is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider Board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors of the Company. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Re-election of Director at General Meeting

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the Criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria.

The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

Review of Nomination Policy

The Nomination Committee will launch a formal process to review the Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Disclosure of Nomination Policy

A summary of the Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason the Board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

AUDITOR'S REMUNERATION

The Group's independent auditor is HLB Hodgson Impey Cheng Limited ("**HLB**"). The financial reporting responsibilities of the independent auditors are set out on pages 47 to 50 in this annual report.

During the FY2020, remuneration of approximately HK$1,000,000 was paid to HLB for the provision of audit services. HLB did not perform any non-audit services during the FY2020.

SHAREHOLDERS' RIGHT

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

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

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

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- defines the requirements of periodic financial and operational reporting to the Board and the Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public; and

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

– Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

– Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and

– Risk mitigation: Develop effective control activities to mitigate the risks.

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

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

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

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the FY2020 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the FY2020 as required under code provision C.2.5 of CG Code. The Audit Committee and the Board, have considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

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

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

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

During the FY2020, there was no change in the Company's memorandum and articles of association.

The Directors present their report and the audited consolidated financial statements for the FY2020.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 98 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

CORPORATE REORGANISATION

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

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

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia: –

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the memorandum and articles of association of the Company. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

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

RESULTS AND DIVIDENDS

The result of the Group for the FY2020 and the financial position of the Company and of the Group at the FY2020 are set out in the consolidated financial statements on pages 51 to 52 of this annual report. The Board does not recommend the payment of a final dividend for the FY2020.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 21 August 2020 (the "**2020 AGM**"). For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 August 2020.

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed, "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the FY2020 are set out in Note 15 to the consolidated financial statements.

DONATION

There are no charitable donations for the FY2020 (FY2019: Nil).

SHARE CAPITAL

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

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was conditionally adopted pursuant to the written resolution of the sole shareholder of the Company passed on 21 February 2018.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of the Group.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, the shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 100,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 100,000,000 shares from time to time) to the participants under the Share Option Scheme.

The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the shareholders containing the information as required under the Listing Rules in this regard.

The Company may seek separate approval of the shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.

The aggregate number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option scheme of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The Share Option Scheme is valid and effective for a period of ten years from 21 February 2018, after which no further options will be granted or offered.

For the FY2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 34 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

As disclosed in the Prospectus, prior to the Listing, one non-exempt continuing connected transaction agreement has been entered into and will continue to be carried out between the Company and Gobo Trade Limited ("**Gobo Trade**"). Gobo Trade is a company owned as to 51%, 19% and 30% by Mr. Alex Law, Mr. Simon Law and Mr. Anthony Law, respectively. Gobo Trade is therefore a connected person of the Company under the Listing Rules. The principal business of Gobo Trade is trading of commercial packaging materials.

The agreement entered into between the Company and Gobo Trade was renewed during the year for a term of three years ending on 31 March 2023, pursuant to which Gobo Trade has agreed to provide packaging material to the Group from time to time in respond to purchase initiated by the Group by sending corresponding purchase orders. Taking into account that the Group has established good and long-standing relationships with Gobo Trade and has purchased packaging materials from Gobo Trade since 2012. The packaging materials purchased from Gobo Trade in the past satisfied the quality requirement of the Group and were delivered in accordance with the specified time frame without major delay.

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

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

Save as disclosed above, details of all the fully exempted and non-exempted continuing connected transactions set out in Note 30 to the consolidated financial statements that falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DISTRIBUTABLE RESERVE

The Company's distributable reserve as at 31 March 2020 is set out in the consolidated statement of changes in equity.

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2020, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 48%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 99%.

During the FY2020, the percentage of the Group's largest subcontractor was approximately 43% of the total direct costs for the period, while the percentage of the Group's five largest suppliers and subcontractors accounted for approximately 60% of the total direct costs.

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

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

Mr. Ho Chun Chung Patrick
Mr. Iu Tak Meng Teddy
Mr. Kwan Ngai Kit

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

By virtue of article 108 and article 112 of the memorandum and articles of association of the Company. Mr. Simon Law and Mr. Ho will retire at the 2020 AGM and, all being eligible, will offer themselves for re-election at the said meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 14 of this annual report.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 8 and 9 to the consolidated financial statements.

The remuneration of the senior management of the Group for the FY2020 falls within the following band:

Remuneration band	Number of senior management
HK$1.000,001 to HK$2,000,000	1

EMOLUMENT POLICY

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

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

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2020 are set out in Note 8 to the consolidated financial statements of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions disclosed in Note 30 to the consolidated financial statements, no Director or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts or significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

During the FY2020, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 March 2020, 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, 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. 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 31 March 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executive of the Company, as at 31 March 2020, 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 31 March 2020, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debenture of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the FY2020.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the Controlling Shareholders or their respective close associates has been engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group which would be required to be disclosed under Rule 8.10 of Listing Rules during the FY2020.

Non-Competition Undertakings

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Alex Law, Mr. Simon Law, Mr. Albert Chiu and Dynamic Victor mentioned on page 31 (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 paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

During the FY2020, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the corporate governance report on pages 15 to 24 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there were no equity-linked agreement entered into by the Company during the FY2020.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information available to the Company, the Directors confirm that the Company maintained a sufficient public float of at least 25% in the Company's issued share capital as required under the Listing Rules throughout the FY2020 and as at the latest practicable date prior to the issue of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITORS

The consolidated financial statements of the Group for the FY2020 were audited by HLB.

HLB will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting. The Company has not changed its external auditors in any of the preceding three years.

ON BEHALF OF THE BOARD
Law Kwok Leung Alex
Chairman and Executive Director

Hong Kong, 23 June 2020

INTRODUCTION

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

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

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

ABOUT THE REPORT

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

REPORTING YEAR

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 April 2019 to 31 March 2020 (the "**Reporting Period**"). The Group releases the ESG Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

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

REPORTING STANDARDS

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

STAKEHOLDER ENGAGEMENT

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

The Group believes that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of the Group's ESG performance, but also enables the Group to improve the performance based on their feedback. Therefore, the Group has engaged in open and regular communication with stakeholder groups including shareholders and investors, clients, employees, sub-contractors, suppliers and government. Over the years, the Group has continued to fine-tune the sustainability focus, addressing pressing issues. The table below shows the Group communicates with key stakeholder groups and their respective concerns.

Stakeholder engagement

Stakeholders	Interests and concerns	Engagement channels
Shareholders and investors	• Return on investment • Corporate strategy and governance • Risk mitigation and management	• Annual General Meeting • Interim and annual reports, corporate websites • Announcements, notices of meetings, circulars
Clients	• Robust logistic service management • Full compliance with laws and regulations • Sustainability performance of operations	• Interim and annual reports, corporate websites • Regular meetings and communication
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and wellbeing	• Provide leisure activities and increase cohesion • In-house training programmes • Performance reviews and appraisals • Promote career development and enhance competence at all levels
Sub-contractors	• Occupational health and safety • Ethical business practices • Sub-contractors assessment criteria	• Annual health, safety and environment seminars • Training sessions • Regular progress meetings • Audits and assessments
Suppliers	• Long-term partnership • Ethical business practices • Supplier assessment criteria	• Procurement processes • Audits and assessments
Government	• Laws and regulation compliance	• Review latest laws and regulation • Inspection

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

ENVIRONMENTAL PROTECTION

The Group is committed to sustainable development and preservation of resources. The Group recognises that the long-term viability of the Group's business is closely linked with the well-being of the society. The Group strives to minimise the potential impacts of the business on the environment and society in the operation.

EMISSIONS

Emissions from vehicle usage

During the operation, the usage of private cars, light goods vehicles and medium & heavy goods vehicles generate the emissions of sulphur oxides ("**SO_X**"), nitrogen oxides ("**NO_X**") and Particulate Matter ("**PM**"). The approximate amount of NO_X, SO_X and PM produced from the operations in Hong Kong are shown in the table below:

Air pollutants from vehicles usage

Types of key air pollutants	**2020**	**2019**
NO_X emissions (tonnes)	6.69	7.812
SO_X emissions (tonnes)	0.006	0.007
PM emissions (tonnes)	0.4793	0.5687

In respect of reducing the NO_X, SO_X and PM emissions, the Group is committed to reducing and implementing the efficient usage of private cars, light goods vehicles and medium & heavy goods vehicles for operation. The Group has implemented the following measures so as to achieve the environmental friendly approach; i) avoid peak hour traffic; ii) encourage the use of public transport; iii) utilise the vehicle usage by carpooling with different staff; and iv) plan the route of logistics services in the shortest travel distance via grouping the location of the clients.

During the Reporting Period, the Group was not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of operations and vehicle usage.

Greenhouse gas ("GHG") emissions

During the air freight forwarding and air cargo terminal operations, due to the intense usage of goods vehicles to perform the logistics services, a certain amount of greenhouse gases is produced.

Scope 1 – Direct emissions

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

Compared to last financial year, the total amount of GHG Scope 1 – direct emission has dropped slightly, due to the Group has participated the ex-gratia payment application which is provided by Environment Protection Department to phrase out pre-euro IV diesel motor vehicles to improve roadside air quality and better protect public health.

Scope 2 – Energy indirect emissions

Apart from the direct emissions of GHG, the Group has also incurred energy indirect GHG emissions (Scope 2), principally resulting from electricity consumed at the rented warehouse premises in the AFFC and the headquarter office.

In the Reporting Period, the total electricity consumption has decreased approximately 16% when comparing to last financial year and which result in the same drop of GHG emissions in respect of energy indirect emissions. The Group believes it is contributed by the electricity monitoring mechanism employed last year. A sense of urgency in minimising the use of electricity has been developed in the Group's culture. More progress is anticipated to be made in coming years.

The summary of GHGs emitted from the operations are shown in the following table:

Summary of GHG emissions

GHG	2020 CO_2 equivalent emission	2019 CO_2 equivalent emission
Scope 1 – Direct emissions (tonnes)	1,025.84	1,157.64
Scope 2 – Energy indirect emissions (tonnes)	569.22	677.94
Total	1,595.06	1,835.58

Hazardous and Non-Hazardous Waste

Due to the business nature, the Group's operations do not directly generate any hazardous waste.

On the other hand, the Group generates the minimal non-hazardous waste from its operation. The Group is committed to managing and disposing the non-hazardous waste properly and encourage waste segregation and recycling. During the Reporting Period, the Group has yet to implemented the reporting mechanism to gather the information of non-hazardous waste generated. In the future, the Group would plan to implement a comprehensive data collection mechanism in respect of the non-hazardous waste disposed in order to enhance the waste management.

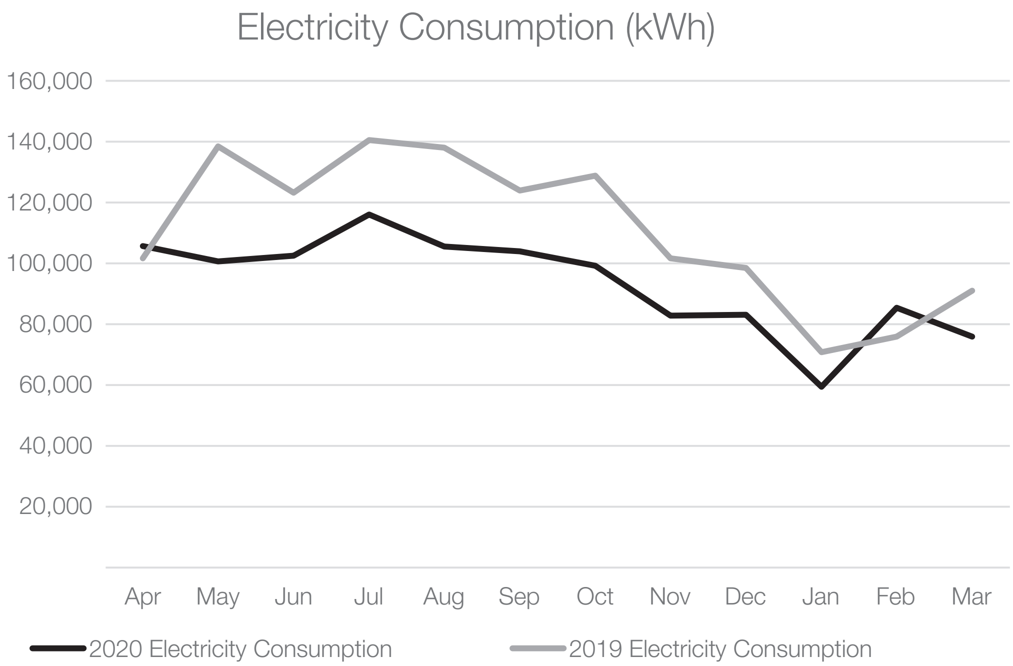
Use of resources

The Group adheres to the concept of energy conservation and emission reduction for green business. The major resources used by the Group is principally attributed to electricity and water consumed in the AFFC and headquarter office. The Group aims to improve energy utilisation efficiency to achieve low-carbon practices and emission reduction throughout the operation and strive to save the resources.

For water consumption, there was no water consumption data maintained by the AFFC and headquarter office as the water charges are borne by landlord.

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

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



The total electricity consumption in kWh and intensity are shown in the table below:

Electricity consumption

Electricity Consumption	**2020**	**2019**
Total electricity consumption (kWh)	1,116,113	1,329,294
Intensity of total electricity consumption per no. of employees (kWh)	2,620	2,877

As explained above, the reason for the decrease in electricity consumption for FY2020 is due to the monitoring mechanism employed last year. Besides, the rented premises located in AFFC is reduced and lead to the reduction of electricity consumption.

The Environment and Natural Resources

To develop a green approach at the AFFC and headquarter office, the Group has developed the following measures for the daily operation so as to minimise the impact brought to the environmental and natural resources consumption:

Office equipment

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

Lighting

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

Other practice

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

Packaging Material

The Group does not produce any finished products. Therefore, the Group does not consume significant amount of package materials for product packaging.

PEOPLE

Employment

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

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

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

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

Workforce structure as at 31 March 2020

Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	2020 Ratio of number of male to female employees	2019 Ratio of number of male to female employees
Male	42	175	83	300	427	2.4:1	2.3:1
Female	26	77	24	127			
Total	**68**	**252**	**107**	**427**			

Employees recruited in the Reporting Period

Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	Total number of new recruits	2020 Percentage of new recruits to total number of employees	2019 Percentage of new recruits to total number of employees
Male	7	27	2	36	46	11%	16%
Female	3	5	2	10			
Total	**10**	**32**	**4**	**46**			

Employee turnover in the Reporting Period

Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	2020 Ratio of employee turnover to total number of employees	2019 Ratio of employee turnover to total number of employees
Male	11	26	34	71	106	25%	31%
Female	15	13	7	35			
Total	**26**	**39**	**41**	**106**			

Health and Safety

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

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

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

In order to deal with the outbreak of COVID-19, the Group has implemented several measures including but not limited to requiring daily health declaration and work from home arrangement for back office.

Thus, it is a proof of guaranteeing the establishment of a healthy, safe and stable working environment effectively.

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

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

Health and Safety Key Performance Indicators (Employee)

	2020	**2019**
Number of work injuries	5	14
Rate of work injury (per hundred employees)	1.17	3.03

Development and trainings

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in job-related training and courses. The Group has formulated the quality management and environment management training programs to update the staff with the most updated standard of ISO 9001, in order to maintain the highest standard of professionalism by the employees. This program includes quality assurance training in operation process, inspection assurance of services provided by sub-contractors, health and safety precautions in using operation equipment and machinery as well as customer relationship management.

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

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

Training and Development Key Performance Indicators (Employee)

Trained staff	Senior managerial level	Managerial level	General staff	Percentage of employees receiving training by gender	2020 Overall percentage of employees receiving training	2019 Overall percentage of employees receiving training
Male	100%	100%	100%	100%	100%	100%
Female	100%	100%	100%	100%		

Average training hours completed	Senior managerial level	Managerial level	General staff	Average training hours completed by gender	2020 Overall average completed training hour	2019 Overall average completed training hour
Male	9 hours	10.5 hours	20 hours	20 hours	19.5 hours	13 hours
Female	5 hours	10.5 hours	19 hours	19 hours		

Labour standards

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

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

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

Supply Chain Management

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

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

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

Product Responsibility

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

Anti-corruption

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

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

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

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

Community Investment

The Group is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders, particularly to maintain the relationship with interest groups which are relevant to business operation. The Group has been actively involved in charitable activities in the communities where the Group's offices are operating, and encourages the employees to participate in in-house or external community activities. During the Reporting Period, the Group has joined the Caring Company Scheme.

Besides, the Group has making donations to Senior Citizen Home Safety Association, a non-profit organsaitons, to support the needy for 24-hour emergency support free of charge and care services to Senior Citizen.

Moreover, the Group has also sponsored the Life Education Activity Programme about the towing service for the mobile classrooms. This can help to ensure students of the programme continue to benefit from the drug prevention messages.

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

Environmental performance indicators have been summarised in the following tables.

Environmental performance indicators

Aspect A1: Emissions

Performance indicator		**2020 Data**	**2019 Data**	**Stock Exchange ESG Reporting Guide KPI**
Emissions	Total NO_x emissions (tonnes)	6.69	7.812	KPI A1.1
	Total SO_x emissions (tonnes)	0.006	0.007	KPI A1.1
	Total PM emissions (tonnes)	0.4793	0.5687	KPI A1.1
	Total GHG emissions – scope 1 (tonnes)	1,025.84	1,157.64	KPI A1.2
	Total GHG emissions – scope 2 (tonnes)	569.22	677.94	KPI A1.2

Aspect A2: Use of resources

Performance indicator		**2020 Data**	**2019 Data**	**Stock Exchange ESG Reporting Guide KPI**
Electricity	Total electricity consumption (kWh)	1,116,113	1,329,294	KPI A2.1

Social performance indicators

Aspect B1: Employment

Performance indicator		**2020 Data**	**2019 Data**	**Stock Exchange ESG Reporting Guide KPI**
Number of employees	Gender			KPI B1.1
	– Male	300	325	
	– Female	127	140	
Employee recruit	Gender:			KPI B1.1
	– Male	36	38	
	– Female	10	35	
Employee turnover	Gender			KPI B1.2
	– Male	71	85	
	– Female	35	58	

Aspect B2: Health and safety

Performance indicator	2020 Data	2019 Data	Stock Exchange ESG Reporting Guide KPI
Number of work injuries	5	14	KPI B2.1
Rate of work injury (per hundred employees)	1.17	3.03	KPI B2.1

Aspect B3: Development and training

Performance indicator		2020 Data	2019 Data	Stock Exchange ESG Reporting Guide KPI
The percentage of employees receiving training	Percentage of employees receiving training by gender			KPI B3.1
	– Male (%)	100	100	
	– Female (%)	100	100	
Average training hours completed per employee	Average training hours completed by gender			KPI B3.2
	– Male (hours)	20	12.5	
	– Female (hours)	19	13.5	

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

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

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

OPINION

We have audited the consolidated financial statements of A & S Group (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 51 to 97, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment assessment of trade receivables	
Refer to Notes 3.1(ii) and 19 to the consolidated financial statements. As at 31 March 2020, trade receivables amounted to approximately HK$101,170,000, net of a loss allowance of approximately HK$2,467,000. Management uses the simplified approach to calculate expected credit loss ("**ECL**") for trade receivables. Management has engaged an independent specialist to determine ECL. We focus on this area because significant management judgements and estimates were involved in determining the ECL with reference to historical loss record and forward-looking information.	Our procedures mainly included: • obtaining an understanding of how management perform assessment of the loss allowance; • testing on a sample basis the outstanding balances by agreeing the balances to underlying correspondence; • testing the propriety of the ageing of trade receivables at year end to the supporting documents on a sample basis; • obtaining and reviewing the expected credit loss methodology and assumptions used by management which are based on the Group's historical credit loss experience and, with the aid of the external specialist, adjusted for forward-looking factors specific to the debtors and the economic environment; and • testing the subsequent settlements of the trade receivables balance to cash/bank receipts on sample basis.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 23 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	*5*	**418,123**	447,556
Direct costs		**(377,241)**	(400,829)
Gross profit		**40,882**	46,727
Other income and gains	*6*	**8,286**	3,992
Administrative and other operating expenses		**(50,750)**	(48,616)
Provision for loss allowance on trade receivables		**(120)**	(687)
Operating (loss)/profit		**(1,702)**	1,416
Finance costs	*10*	**(7,150)**	(815)
(Loss)/profit before tax	*7*	**(8,852)**	601
Income tax expense	*11*	**–**	(133)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company		**(8,852)**	468
Basic and diluted (loss)/earnings per share	*12*	**HK(0.89) cents**	HK0.05 cents

Details of dividends are disclosed in Note 14 to the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**13,107**	12,008
Right-of-use assets	*16*	**79,333**	–
Club membership	*17*	**869**	869
		93,309	12,877
Current assets			
Trade receivables	*19*	**101,170**	100,574
Other receivables, deposits and prepayments	*20*	**23,068**	20,186
Amount due from a related company	*21*	**35**	35
Pledged deposit	*22*	**3,011**	3,004
Cash and bank balances	*22*	**90,286**	89,546
Tax recoverable		**367**	3,656
		217,937	217,001
Total assets		**311,246**	229,878
EQUITY			
Capital and reserves			
Share capital	*23*	**10,000**	10,000
Reserves		**169,868**	178,720
Total equity		**179,868**	188,720
LIABILITIES			
Non-current liabilities			
Lease liabilities	*16*	**47,475**	–
Deferred tax liabilities	*26*	**560**	560
		48,035	560
Current liabilities			
Trade payables	*27*	**9,105**	9,127
Accruals and other payables	*27*	**24,335**	20,200
Bank borrowings	*25*	**15,513**	11,271
Lease liabilities	*16*	**34,390**	–
		83,343	40,598
Total liabilities		**131,378**	41,158
Total equity and liabilities		**311,246**	229,878
Net current assets		**134,594**	176,403
Total assets less current liabilities		**227,903**	189,280

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 June 2020 and signed on its behalf by:

Mr. Law Kwok Leung Alex
Director

Mr. Law Kwok Ho Simon
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company				
	Share capital HK$'000 *(Note 23)*	**Share premium HK$'000** *(Note a)*	**Merger reserve HK$'000** *(Note b)*	**Retained earnings HK$'000**	**Total equity HK$'000**
Balance at 1 April 2018 as originally presented	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	10,000	98,122	(1)	80,131	188,252
Profit and total comprehensive income for the year	–	–	–	468	468
Balance at 31 March 2019	10,000	98,122	(1)	80,599	188,720
Balance at 1 April 2019	**10,000**	**98,122**	**(1)**	**80,599**	**188,720**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(8,852)**	**(8,852)**
Balance at 31 March 2020	**10,000**	**98,122**	**(1)**	**71,747**	**179,868**

Notes:

a. Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

b. 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 in prior years.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash flows generated from/(used in) operations	*28(a)*	**36,067**	(9,858)
Tax paid		**3,289**	(2,445)
Net cash generated from/(used in) operating activities		**39,356**	(12,303)
Cash flows from investing activities			
Acquisition of club membership		**–**	(869)
Proceeds from disposal of property, plant and equipment		**365**	380
Purchases of property, plant and equipment		**(8,642)**	(5,118)
Increase in pledged deposit		**(7)**	(4)
Interest received		**1,113**	711
Net cash used in investing activities		**(7,171)**	(4,900)
Cash flows from financing activities			
New bank borrowings	*28(b)*	**10,000**	–
Repayment of bank borrowings	*28(b)*	**(5,758)**	(34,681)
Repayment of lease liabilities	*28(b)*	**(35,379)**	–
Interest paid on bank borrowings		**(308)**	(815)
Net cash used in financing activities		**(31,445)**	(35,496)
Net increase/(decrease) in cash and cash equivalents		**740**	(52,699)
Cash and cash equivalents at beginning of year		**89,546**	142,245
Cash and cash equivalents at end of year		**90,286**	89,546

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

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company. All values are rounded to nearest thousand (**HK$'000**) except when otherwise indicated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 June 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (continued)

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

2.1.1 Changes in accounting policy and disclosures

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

The Group has applied the following new standards and amendments for the first time for its annual reporting period commencing 1 April 2019:

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

The impact of the adoption of HKFRS 16 is disclosed in Note 2.2 below. The other newly effective standards, amendments and interpretation to existing standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New Standards, amendments and interpretations of HKFRSs not yet adopted*

Certain new and amended standards and framework have been published that are not mandatory for financial year beginning on 1 April 2019 and have not been early adopted by the Group:

		Effective for the accounting periods beginning on or after
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contract	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform	1 January 2020

The Group's management assessed that there are no new and amended standards and framework that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019. The new accounting policies are disclosed in Note 2.10.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 7.85%.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases; and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(b) Measurement of lease liabilities

	2020 HK$'000
Operating lease commitments disclosed as at 31 March 2019	106,965
Less: Short-term leases to be recognised on a straight-line basis as expenses	(7,835)
	99,130
Discounted using the lessee's incremental borrowing rate at the date of initial application, representing additional lease liabilities recognised as at 1 April 2019	91,013
Of which are:	
Current lease liabilities	25,632
Non-current lease liabilities	65,381
	91,013

(c) Measurement of right-of-use assets

As a lessee, the Group mainly leases forklift, warehouses and loading bay. The right-of-use assets (recognised under the same caption of assets they are being used for) were measured at the amount equal to the respective lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

(d) Adjustments recognised in statement of financial position on 1 April 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

	31 March 2019 (As originally presented) HK$'000	HKFRS 16 HK$'000	1 April 2019 (Restated) HK$'000
Non-current assets			
Right-of-use assets	–	91,702	91,702
Non-current liabilities			
Lease liabilities	–	25,632	25,632
Current liabilities			
Lease liabilities	–	65,381	65,381
Provision for reinstatement cost	–	689	689

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

2.3.1 Consolidation

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

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

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

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

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

2.3.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

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

2.5 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

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

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

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

– Leasehold improvements	Over lease term
– Warehouse operating equipment	30%
– Furniture, fixtures and office equipment	20%-30%
– Trucks, pallet trucks and motor vehicles	30%-50%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (continued)

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

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

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

2.7 Club membership

Club membership with indefinite useful life that is acquired separately is carried at cost less accumulated impairment losses.

Club membership is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of club membership, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

2.8 Impairment of non-financial assets

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

2.9 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 March 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Leases (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security etc.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the category of those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(c) Measurement

Except for trade receivables, at initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in "other income and gains" together with foreign exchange gains and losses. Impairment losses are recognised in profit or loss.

(d) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.11 Financial liabilities

(a) Initial recognition and measurement

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities (continued)

(b) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance expenses in the statement of profit or loss.

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group of the counterparty.

2.13 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the expected credit loss model under HKFRS 9; and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10 for further information about the Group's accounting for trade and other receivables for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

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

2.16 Share capital

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

2.17 Trade and other payables

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

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

2.18 Borrowings

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

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

2.19 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax

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

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

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

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

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

2.21 Retirement benefits

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

2.22 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Contingent liabilities and contingent assets

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

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

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

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

2.24 Revenue recognition

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

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

Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Interest income

Interest income is presented as other income where it is earned from financial assets that are held for cash management purposes, see Note 6 below.

2.26 Dividend distribution

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

2.27 Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(i) Interest rate risk

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

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

As at 31 March 2020, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately HK$155,000 (2019: HK$113,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

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

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

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

As at 31 March 2020, there were two (2019: two) customers which individually contributed over 10% of the Group's trade receivables. The aggregate amounts of trade receivables from these customers amounted to 90% (2019: 92%) of the Group's total trade receivables as at 31 March 2020.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

Impairment of financial assets

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

Internal credit rating	Description	Trade receivables	Bank balances/ other receivables and deposits/ amount due from a related company
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settles after due date	Lifetime ECL – not credit impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

Impairment of financial assets (continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment as at 31 March 2020 and 2019：

	Notes	**12-month ECL or lifetime ECL**	**Gross carrying amounts 2020 HK$'000**	2019 HK$'000
Financial assets at amortised cost				
Trade receivables	*(i)*	Lifetime ECL	**103,637**	102,921
Other receivables and deposits	*(ii)*	12-month ECL	**6,141**	8,027
Amount due from a related company	*(ii)*	12-month ECL	**35**	35
Pledged deposit	*(iii)*	12-month ECL	**3,011**	3,004
Cash and bank balances	*(iii)*	12-month ECL	**90,286**	89,546

Notes：

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on these assets are assessed individually and/or collectively with appropriate groupings based on same risk characteristics.

(ii) For the purposes of internal credit risk management, the management consider that the credit risk has not significant increased since initial recognition. The Group assessed and concluded that the expected credit loss rate for these financial assets are in significant under 12-month ECL.

(iii) All bank balances were placed in banks with sound credit ratings assigned by international credit-rating agencies or with good reputation. In the opinion of the directors of the Company, credit risk is insignificant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

Impairment of financial assets (continued)

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, these trade receivables have been based on past due status, historical credit loss experience based on the past default experience of the Group and are adjusted with forward-looking information. On that basis, the Group assessed that the loss allowance of approximately HK$2,467,000 (2019: HK$2,347,000) recognised in accordance with HKFRS 9 as at 31 March 2020.

For the purpose of impairment assessment for other receivables, the management considered that the credit risk of these financial assets have not significantly increased since initial recognition. The Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12-month ECL method after taken into account the historical default experience, historical settlement records, collateral values as well as the loss upon default in each case and are adjusted with forward-looking information.

The loss allowance for trade receivables was determined as follows:

	Weighted average expected credit loss rate HK$'000	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
At 31 March 2020				
Trade receivables	**2.38%**	**103,637**	**(2,467)**	**101,170**
At 31 March 2019				
Trade receivables	2.28%	102,921	(2,347)	100,574

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(iii) Liquidity risk

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

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

	On demand or within one year HK$'000	**Between one and two years HK$'000**	**Between two and five years HK$'000**	**Total HK$'000**
At 31 March 2020				
Trade payables	**9,105**	**–**	**–**	**9,105**
Accruals and other payables	**24,335**	**–**	**–**	**24,335**
Bank borrowings	**15,670**	**–**	**–**	**15,670**
Lease liabilities	**39,563**	**38,878**	**11,082**	**89,523**
	88,673	**38,878**	**11,082**	**138,633**

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 March 2019				
Trade payables	9,127	–	–	9,127
Accruals and other payables	20,200	–	–	20,200
Bank borrowings	11,702	–	–	11,702
	41,029	–	–	41,029

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(iii) Liquidity risk (continued)

Notwithstanding the above clauses, the directors do not believe that the loans will be called, in their entirely or in part, within 12 months and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreement. This evaluation was made considering the Group's compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Group, the maturity analysis based on the scheduled repayment dates of bank borrowings during the years ended 31 March 2020 and 2019 will be as follows:

	On demand or within one year HK$'000	**Between one and two years HK$'000**	**Between two and five years HK$'000**	**Total HK$'000**
At 31 March 2020				
Bank borrowings	**13,240**	**2,430**	**–**	**15,670**

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 March 2019				
Bank borrowings	6,026	3,244	2,432	11,702

3.2 Capital risk management

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The gearing ratios of the Group are as follows:

	2020 HK$'000	2019 HK$'000
Total interest-bearing liabilities and lease liabilities	97,378	11,271
Total equity	179,868	188,720
Gearing ratio	54%	6%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities, including cash and bank balances, pledged bank deposits, trade and other receivables, trade and other payables approximate their fair values, which either due to their short-term maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Impairment of trade receivables

The loss allowance for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(ii).

5 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year are as follows:

	2020 HK$'000	2019 HK$'000
Revenue from customers and recognised over time:		
Air freight forwarding ground handling services	218,996	233,276
Air cargo terminal operating services	199,127	214,280
	418,123	447,556

Transaction price allocated to remaining performance obligations

The Group's contracts include promises to perform an undefined quantity of tasks at a fixed contractual rate 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.

Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and review consolidated financial statements accordingly. Also, all of the Group's revenue during the years ended 31 March 2020 and 2019 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:

	2020 HK$'000	2019 HK$'000
Customer A	199,127	214,280
Customer B[1]	163,770	175,592

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

6 OTHER INCOME AND GAINS

Other income and gains recognised during the year are as follows:

	2020 **HK$'000**	2019 HK$'000
Other income and gains		
Bank interest income	**1,113**	711
Gain on disposal of property, plant and equipment	**–**	223
Income from sale of scrap materials	**380**	824
Management fee income	**1,553**	–
Others	**5,240**	2,234
	8,286	3,992

7 (LOSS)/PROFIT BEFORE TAX

	2020 **HK$'000**	2019 HK$'000
(Loss)/profit before tax has been arrived at after charging:		
Included in direct costs:		
Direct labour costs *(Note 8)*	**114,514**	116,719
Dispatched labour costs	**166,902**	183,428
Costs of packaging materials	**6,017**	9,143
Depreciation of property, plant and equipment	**3,640**	3,657
Depreciation of right-of-use assets	**31,760**	–
Operating lease payments previously classified as operating leases under HKAS 17		
– Car parking spaces	**–**	1,392
– Warehouses and loading bay	**–**	38,671
– Forklifts	**–**	11,205
Expense relating to short-term leases not included in the measurement of lease liabilities		
– Car parking spaces	**1,374**	–
– Warehouses and loading bay	**2,660**	–
– Forklifts	**6,770**	–
Included in administrative and other operating expenses:		
Auditors' remuneration		
– Audit services	**1,000**	1,000
– Non-audit services	**–**	–
Depreciation of property, plant and equipment	**3,296**	2,504
Loss on disposal of property, plant and equipment	**242**	–
Provision for loss allowance of trade receivables	**120**	687
Operating lease payments previously classified as operating leases under HKAS 17		
– Office premises	**–**	360
Expense relating to short-term leases not included in the measurement of lease liabilities		
– Office premises	**360**	–
Staff costs, including directors' and chief executive officer's emoluments *(Note 8)*	**15,274**	14,282

8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2020 **HK$'000**	2019 HK$'000
Salaries and allowances and other benefits	**124,774**	125,605
Retirement scheme contributions	**5,014**	5,396
	129,788	131,001

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

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the years ended 31 March 2020 and 2019 is set out below:

	Fee HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Discretionary HK$'000**	**Employer's contribution to a retirement scheme HK$'000**	**Total HK$'000**
Year ended 31 March 2020					
Executive directors					
Mr. Alex Law	**–**	**4,617**	**–**	**18**	**4,635**
Mr. Simon Law	**–**	**2,331**	**–**	**18**	**2,349**
Mr. Albert Chiu (Chief Executive Officer)	**–**	**1,850**	**–**	**18**	**1,868**
Independent non-executive directors					
Mr. Iu Tak Meng Teddy ("**Mr. Iu**")	**120**	**–**	**–**	**–**	**120**
Mr. Kwan Ngai Kit ("**Mr. Kwan**")	**120**	**–**	**–**	**–**	**120**
Mr. Ho Chun Chung Patrick ("**Mr. Ho**")	**120**	**–**	**–**	**–**	**120**
	360	**8,798**	**–**	**54**	**9,212**

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary HK$'000	Employer's contribution to a retirement scheme HK$'000	Total HK$'000
Year ended 31 March 2019					
Executive directors					
Mr. Alex Law	–	4,678	–	18	4,696
Mr. Simon Law	–	2,335	–	18	2,353
Mr. Albert Chiu (Chief Executive Officer)	–	1,806	–	18	1,824
Independent non-executive directors					
Mr. Iu	120	–	–	–	120
Mr. Kwan	120	–	–	–	120
Mr. Ho	120	–	–	–	120
	360	8,819	–	54	9,233

During the year ended 31 March 2020, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2020 (2019: Nil).

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2019: three) of them are directors for the year ended 31 March 2020 whose emoluments are disclosed above. The emoluments in respect of the remaining two (2019: two) individual for the year ended 31 March 2020 are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**2,391**	2,323
Discretionary bonuses	**–**	60
Retirement scheme contributions	**36**	36
	2,427	2,419

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals (continued)

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Emolument band (in HK$)		
HK$1,000,001 – HK$2,000,000	**2**	2

During the year ended 31 March 2020, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2019: Nil).

10 FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest on leases liabilities *(Note 16)*	**6,842**	–
Interest on bank borrowings	**308**	815
	7,150	815

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2020	2019
	HK$'000	HK$'000
Hong Kong profits tax:		
– Current income tax	**–**	348
– Overprovision in prior periods	**–**	(1)
Deferred income tax *(Note 26)*	**–**	(214)
Income tax expense	**–**	133

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

11 INCOME TAX EXPENSE (CONTINUED)

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

No provision for Hong Kong Profits Tax was made as the Group did not have assessable profits during the year ended 31 March 2020.

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

	2020	2019
	HK$'000	HK$'000
(Loss)/profit before tax	**(8,852)**	601
Calculated at Hong Kong Profits Tax of 16.5%	**(1,461)**	99
Adjustments for current tax of prior periods	**–**	(1)
Income not subject to tax	**(164)**	(116)
Expenses not deductible for tax purposes	**260**	276
Tax losses not recognised	**1,281**	60
Different tax rates of the entities operating in other jurisdictions	**(6)**	–
Temporary differences not recognised	**90**	–
Tax reduction	**–**	(20)
Tax concession under two-tiered profits tax rates regime	**–**	(165)
Income tax expense	**–**	133

12 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

	2020	2019
(Loss)/profit attributable to owners of the Company (HK$'000)	**(8,852)**	468
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	**1,000,000**	1,000,000
Basic (loss)/earnings per share (HK cents)	**(0.89)**	0.05

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2020 and 2019.

13 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2020:

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

14 DIVIDENDS

No dividend was paid or proposed for the shareholders of the Company during the year ended 31 March 2020 (2019: Nil), nor has any dividend been proposed since the end of the reporting period.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve-ments HK$'000	Warehouse operating equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Trucks, pallet trucks and motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2019	**2,534**	**1,214**	**3,488**	**37,899**	**45,135**
Additions	**2,332**	**3,341**	**2,531**	**438**	**8,642**
Disposals	**(474)**	**(777)**	**(634)**	**(2,190)**	**(4,075)**
At 31 March 2020	**4,392**	**3,778**	**5,385**	**36,147**	**49,702**
Accumulated depreciation					
At 1 April 2019	**2,045**	**872**	**2,285**	**27,925**	**33,127**
Charge for the year	**642**	**241**	**1,102**	**4,951**	**6,936**
Disposals	**(279)**	**(616)**	**(391)**	**(2,182)**	**(3,468)**
At 31 March 2020	**2,408**	**497**	**2,996**	**30,694**	**36,595**
Net book value					
At 31 March 2020	**1,984**	**3,281**	**2,389**	**5,453**	**13,107**
Cost					
At 1 April 2018	2,819	1,104	2,923	38,121	44,967
Additions	–	120	608	4,390	5,118
Disposals	(285)	(10)	(43)	(4,612)	(4,950)
At 31 March 2019	2,534	1,214	3,488	37,899	45,135
Accumulated depreciation					
At 1 April 2018	1,971	627	1,694	27,467	31,759
Charge for the year	250	250	614	5,047	6,161
Disposals	(176)	(5)	(23)	(4,589)	(4,793)
At 31 March 2019	2,045	872	2,285	27,925	33,127
Net book value					
At 31 March 2019	489	342	1,203	9,974	12,008

16 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 March 2020 HK$'000	1 April 2019* HK$'000
Right-of-use assets		
Warehouses and loading bay	62,974	91,426
Equipment	16,359	276
	79,333	91,702
Lease liabilities		
Current	34,390	25,632
Non-current	47,475	65,381
	81,865	91,013

* For adjustments recognised on adoption of HKFRS 16 on 1 April 2019, please refer to Note 2.2.

Additions to the right-of-use assets for the year ended 31 March 2020 were approximately HK$19,631,000.

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	31 March 2020 HK$'000
Depreciation charge of right-of-use assets	
Warehouses and loading bay	28,453
Equipment	3,307
	31,760
Interest expense (included in finance costs – *Note 10*)	6,842
Expense relating to short-term leases (included in direct costs, and administrative and other operating expenses)	10,842
Expense relating to variable lease payments not included in lease liabilities (included in direct costs)	322

The total cash outflow for leases for the year ended 31 March 2020 were HK$46,543,000.

As at 31 March 2020, the Group entered into new leases for forklifts, with non-cancellable period of 1 year, the total future undiscounted cash flows over the non-cancellable period amounted to approximately HK$784,000.

16 LEASES (CONTINUED)

(c) The Group's leasing activities and how these are accounted for

The Group leases various office, warehouses and loading bay, and forklifts. Rental contracts are typically made for fixed periods of 1 to 3 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

17 CLUB MEMBERSHIP

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.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**101,170**	100,574
Other receivables and deposits	**6,141**	8,027
Amount due from a related company	**35**	35
Pledged deposit	**3,011**	3,004
Cash and bank balances	**90,286**	89,546
Total	**200,643**	201,186
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**9,105**	9,127
Accruals and other payables	**24,335**	20,200
Bank borrowings	**15,513**	11,271
Lease liabilities	**81,865**	–
Total	**130,818**	40,598

19 TRADE RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables	**103,637**	102,921
Less: Loss allowance	**(2,467)**	(2,347)
	101,170	100,574

The credit period granted to customers is 30 to 60 days from invoice date generally. Trade receivables are denominated in HK$. The Group does not hold any collateral as security.

19 TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables, net of loss allowance, based on invoice date is as follows:

	2020 **HK$'000**	2019 HK$'000
0-30 days	**34,647**	40,291
31-60 days	**58,161**	52,109
61-90 days	**2,273**	9,658
Over 90 days	**8,556**	863
	103,637	102,921
Less: Loss allowance	**(2,467)**	(2,347)
	101,170	100,574

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 March 2020, a provision of approximately HK$2,467,000 (2019: HK$2,347,000) was made against the gross amount of trade receivables.

Movements on the loss allowance of receivables are as follows:

	Lifetime ECL (not credit-impaired) HK$'000
At 31 March 2018	–
Adjustment on application of HKFRS 9	1,660
Adjusted at 1 April 2018	1,660
Increase in loss allowance recognised in profit or loss	687
At 31 March 2019 and 1 April 2019	2,347
Increase in loss allowance recognised in profit or loss	120
At 31 March 2020	**2,467**

20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Deposits	5,362	7,808
Prepayments	16,927	12,159
Other receivables	779	219
	23,068	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 of history of default.

21 AMOUNT DUE FROM A RELATED COMPANY

	2020 HK$'000	2019 HK$'000
Amount due from a related company		
Dynamic Victor Limited *(Note (i))*	35	35

	2020 HK$'000	2019 HK$'000
Maximum outstanding balance during the year		
Dynamic Victor Limited	35	35

Notes:

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

(ii) The amount due was non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

22 CASH AND BANK BALANCES AND PLEDGED DEPOSIT

	2020 HK$'000	2019 HK$'000
Cash at banks *(Note a)*	79,396	68,822
Cash on hand	890	724
Time deposits	13,011	23,004
	93,297	92,550
Less: Pledged deposit *(Note b)*	(3,011)	(3,004)
Cash and bank balances	90,286	89,546

Notes:

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

(b) As at 31 March 2020 and 31 March 2019, the pledged deposit was placed to secure the Group's outstanding bank borrowings disclosed in Note 25 below.

23 SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 31 March 2020	1,000,000,000	10,000

24 SHARE OPTION SCHEME

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

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

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

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

24 SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2020 (2019: Nil).

25 BORROWINGS

	2020 HK$'000	2019 HK$'000
Current		
Bank borrowings	**15,513**	11,271

Bank borrowings

The bank borrowings contain an unconditional repayment on demand clause and are classified as current liabilities in accordance with HK Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank borrowings are repayable as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**13,115**	5,756
Between 1 and 2 years	**2,398**	3,114
Between 2 and 5 years	**–**	2,401
	15,513	11,271

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

As at 31 March 2020, the undrawn banking facilities amounted to approximately HK$4,957,000 (2019: HK$17,657,000).

These banking facilities are secured/guaranteed by:

(i) Certain properties held by Mr. Alex Law and Mr. Simon Law as at 31 March 2020 and 2019;

(ii) Unlimited corporate guarantee by the Company as at 31 March 2020 and 2019; and

(iii) Certain cash deposits of the Group of approximately HK$3,011,000 (2019: HK$3,004,000) as at 31 March 2020.

The interest rates per annum of borrowings are as follows:

	2020	2019
Bank borrowings	**2.10% to 3.75%**	1.80% to 3.63%

26 DEFERRED INCOME TAX

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

	Accelerated tax depreciation HK$'000	Loss allowance HK$'000	Total HK$'000
At 31 March 2018	1,047	–	1,047
Adjustment on application of HKFRS 9	–	(273)	(273)
Adjusted at 1 April 2018	1,047	(273)	774
Credited to profit or loss *(Note 11)*	(100)	(114)	(214)
At 31 March 2019 and 31 March 2020	**947**	**(387)**	**560**

As at 31 March 2020, the Group has unused tax losses of approximately HK$7,327,000 (2019: Nil), subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax assets has been recognised in relation to tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

27 TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**9,105**	9,127
Accruals and other payables	**20,896**	18,050
Provision for reinstatement cost	**689**	–
Deposits received	**2,750**	2,150
	33,440	29,327

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

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

	2020 HK$'000	2019 HK$'000
0-30 days	**6,972**	5,192
31-60 days	**2,133**	1,115
61-90 days	**–**	455
Over 90 days	**–**	2,365
	9,105	9,127

As at 31 March 2020, included in trade payables was approximately HK$672,000 and HK$117,000 (2019: HK$3,366,000 and HK$141,000) payable to related companies, Gobo Trade Limited and Hung Kee Body Building Factory Limited, respectively.

All trade and other payables are denominated in HK$.

28 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2020 HK$'000	2019 HK$'000
(Loss)/profit before tax	**(8,852)**	601
Adjustments for:		
Depreciation of property, plant and equipment	**6,936**	6,161
Depreciation of right-of-use assets	**31,760**	–
Loss/(gain) on disposal of property, plant and equipment	**242**	(223)
Gain on derecognition of right-of-use assets and lease liabilities	**(2)**	–
Loss allowance of trade receivables	**120**	687
Interest income	**(1,113)**	(711)
Interest expense	**7,150**	815
Operating profit before working capital changes	**36,241**	7,330
Increase in trade receivables	**(716)**	(12,161)
Increase in other receivables, deposits and prepayments	**(2,882)**	(4,522)
Increase in amount due from a related company	**–**	(7)
Decrease in trade payables	**(22)**	(593)
Increase in accruals and other payables	**3,446**	95
Net cash flows generated from/(used in) operations	**36,067**	(9,858)

(b) Reconciliation of liabilities arising from financing activities

	As at 31 March 2019 HK$'000	**Adjustment upon application of HKFRS 16 HK$'000**	**As at 1 April 2019 HK$'000**	**Cash flows HK$'000**	**Non-cash changes HK$'000**	**As at 31 March 2020 HK$'000**
Bank borrowings	**11,271**	**–**	**11,271**	**4,242**	**–**	**15,513**
Lease liabilities *(Note (i))*	**–**	**91,013**	**91,013**	**(35,379)**	**26,231**	**81,865**
Total liabilities from financing activities	**11,271**	**91,013**	**102,284**	**(31,137)**	**26,231**	**97,378**

	As at 1 April 2018 HK$'000	Cash flows HK$'000	Non-cash changes HK$'000	As at 31 March 2019 HK$'000
Bank borrowings	45,952	(34,681)	–	11,271
Total liabilities from financing activities	45,952	(34,681)	–	11,271

Note:

(i) Non-cash change mainly represents new lease recognised during the year ended 31 March 2020 of approximately HK$19,631,000.

29 COMMITMENTS

(a) Operating lease commitments – Group as lessor

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

	2019 HK$'000
Within one year	1,110
In the second to fifth years inclusive	–
	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.

(b) Operating lease commitments – Group as lessee

From 1 April 2019, the Group has recognised right-of-use assets for leases, except for short-term, see Note 16 for further information.

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

	2019 HK$'000
Within one year	39,715
In the second to fifth years inclusive	67,250
	106,965

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.

30 RELATED PARTY TRANSACTIONS

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

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

Name of related party	**Relationship**
Mr. Alex Law and Mr. Simon Law	Directors of the Company
Gobo Trade Limited	Mr. Alex Law and Mr. Simon Law have joint control
Hung Kee Body Building Factory Limited	Controlled by a close family of Mr. Alex Law and Mr. Simon Law

30 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name of related party	Nature of transactions	*Notes*	**2020 HK$'000**	2019 HK$'000
Mr. Alex Law and Mr. Simon Law	Office premises rental	*(ii)*	**360**	360
Gobo Trade Limited	Management fee income		**1,553**	–
	Revenue from logistics services		**922**	2,660
	Purchases of office supplies		**977**	1,313
	Purchases of packaging materials	*(i)*	**5,472**	9,143
Hung Kee Body Building Factory Limited	Vehicle repair and maintenance expenses	*(ii)*	**1,565**	1,616
	Purchases of property, plant and equipment		**–**	92

Notes:

(i) These transactions were disclosable continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of the Company. Details of which have been set out in the paragraph headed "Related Party Transactions and Connected Transactions" of the Directors' Report.

(ii) These transactions were continuing connected transactions which fell under the de minimis provision set forth in Rule 14A.76(1)(c) of the Listing Rules and were fully exempted from reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

(b) Related party balances

Details of the outstanding balances with related parties are disclosed in Notes 21 and 27.

(c) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in Note 9.

31 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.

32 CORPORATE GUARANTEE

At 31 March 2020, the Company has given corporate guarantee in favour of a bank for banking facilities granted to its subsidiary. In the opinion of the directors, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of business of the Group and the fair value of the corporate guarantee granted by the Company are immaterial.

33 EVENTS AFTER THE REPORTING PERIOD

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by the COVID-19 outbreak and will continue to evaluate its impact on the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

Saved as disclosed in this annual report, there is no other important event affecting the Group since 31 March 2020 and up to date of this annual report.

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**76,185**	76,185
Current assets			
Amounts due from a subsidiary		**56,612**	47,054
Cash and bank balances		**51,976**	60,991
		108,588	108,045
Total assets		**184,773**	184,230
EQUITY			
Capital and reserves			
Share capital		**10,000**	10,000
Reserves	*34(b)*	**174,743**	174,200
Total equity		**184,743**	184,200
LIABILITIES			
Current liabilities			
Accruals		**30**	30
Total equity and liabilities		**184,773**	184,230
Net current assets		**108,558**	108,015
Total assets less current liabilities		**184,743**	184,200

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 23 June 2020 and signed on its behalf by:

Mr. Law Kwok Leung Alex
Director

Mr. Law Kwok Ho Simon
Director

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

(b) Reserve movement

	Share premium HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2018	98,122	76,185	(300)	174,007
Profit and total comprehensive income for the year	–	–	193	193
Balance at 31 March 2019	**98,122**	**76,185**	**(107)**	**174,200**
Balance at 1 April 2019	98,122	76,185	(107)	174,200
Profit and total comprehensive income for the year	–	–	543	543
Balance at 31 March 2020	**98,122**	**76,185**	**436**	**174,743**

Other reserve

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

FINANCIAL SUMMARY

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**418,123**	447,556	474,690	430,093	378,761
Direct costs	**(377,241)**	(400,829)	(402,128)	(346,845)	(318,252)
Gross profit	**40,882**	46,727	72,562	83,248	60,509
(Loss)/profit before tax	**(8,852)**	601	17,302	41,810	22,803
Income tax expense	**–**	(133)	(5,163)	(7,597)	(3,689)
(Loss)/profit and total comprehensive (expenses)/income for the year attributable to owners of the Company	**(8,852)**	468	12,139	34,213	19,114
Total assets	**311,246**	229,878	266,463	162,255	118,165
Total liabilities	**131,378**	41,158	76,824	81,876	71,999