



A & S Group (Holdings) Limited

亞洲實業集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1737

INTERIM REPORT
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
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Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Clifton House
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Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

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

STOCK CODE

1737

COMPANY'S WEBSITE

www.asl.hk

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

For the six months ended 30 September 2020

		(Unaudited) Six months ended 30 September	
		2020	2019
		HK\$'000	HK\$'000
	Note		
Revenue	3	188,828	214,172
Direct costs		(164,085)	(193,915)
Gross profit		24,743	20,257
Other income and gains	3	16,988	1,199
Administrative and other operating expenses		(25,489)	(27,939)
Operating profit/(loss)		16,242	(6,483)
Finance costs	5	(3,050)	(5,938)
Profit/(loss) before tax	4	13,192	(12,421)
Income tax expense	6	(107)	–
Profit/(loss) and total comprehensive income/(expense) for the period attributable to owners of the Company		13,085	(12,421)
Basic and diluted earnings/(loss) per share	7	HK1.31 cents	HK(1.24) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Note	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	12,737	13,107
Right-of-use assets	10	67,323	79,333
Club membership	11	869	869
		80,929	93,309
Current assets			
Trade receivables	12	104,095	101,170
Other receivables, deposits and prepayments	13	21,003	23,068
Amount due from a related company		35	35
Pledged deposit	14	3,011	3,011
Cash and bank balances	14	105,792	90,286
Tax recoverable		260	367
		234,196	217,937
Total assets		315,125	311,246
EQUITY			
Capital and reserves			
Share capital	15	10,000	10,000
Reserves		182,953	169,868
Total equity		192,953	179,868
LIABILITIES			
Non-current liabilities			
Lease liabilities	10	31,878	47,475
Deferred tax liabilities		560	560
		32,438	48,035
Current liabilities			
Trade payables	17	15,604	9,105
Accruals and other payables		31,372	24,335
Bank borrowings	16	3,968	15,513
Lease liabilities	10	38,790	34,390
		89,734	83,343
Total liabilities		122,172	131,378
Total equity and liabilities		315,125	311,246
Net current assets		144,462	134,594
Total assets less current liabilities		225,391	227,903

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company				Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 <i>(Note)</i>	Retained earnings HK\$'000	
Balance at 1 April 2019 (audited)	10,000	98,122	(1)	80,599	188,720
Loss and total comprehensive expense for the period	–	–	–	(12,421)	(12,421)
Balance at 30 September 2019 (unaudited)	10,000	98,122	(1)	68,178	176,299
Balance at 1 April 2020 (audited)	10,000	98,122	(1)	71,747	179,868
Profit and total comprehensive income for the period	–	–	–	13,085	13,085
Balance at 30 September 2020 (unaudited)	10,000	98,122	(1)	84,832	192,953

Note: The merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

		(Unaudited) Six months ended 30 September	
Note	2020 HK\$'000	2019 HK\$'000	
Cash flows from operating activities			
18			
Net cash generated from operations	50,917	13,233	
Tax paid	–	–	
	50,917	13,233	
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	445	–	
Purchases of property, plant and equipment	(3,943)	(4,478)	
Interest income received	151	420	
	(3,347)	(4,058)	
Cash flows from financing activities			
Drawdown of bank borrowings	20,000	58,700	
Repayment of bank borrowings	(31,545)	(49,869)	
Repayment of lease liabilities	(20,437)	(15,629)	
Interest paid on bank and other borrowings	(82)	(174)	
	(32,064)	(6,972)	
	15,506	2,203	
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of period	90,286	89,546	
	105,792	91,749	
Cash and cash equivalents at the end of period			

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

A & S Group (Holdings) Limited was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 14 March 2018 (the “**Listing**”).

The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the Company’s principal place of business is Room 11, 14th Floor, Tower 2, Ever Gain Plaza, 88 Container Port Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong.

The interim condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand (**HK\$’000**) except when otherwise indicated.

2 PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

- (a) *The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 April 2020*

Amendment to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

- (b) *The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning on or after 1 April 2020 and have not been early adopted by the Group*

		Effective for accounting year beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous contracts: Cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendment to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3 REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

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

	(Unaudited) Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers and recognised over time:		
Air freight forwarding ground handling services	132,989	108,198
Air cargo terminal operating services	55,839	105,974
	188,828	214,172
Other income and gains		
Bank interest income	151	420
Gain on disposal of property, plant and equipment	171	–
Income from sales of scrap materials	27	193
Management fee income	567	–
Government grants (<i>Note</i>)	12,064	–
Others	4,008	586
	16,988	1,199

Note: Amounts represented the government grants received in relation to the outbreak of novel coronavirus ("COVID-19") pandemic.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3 REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION *(Continued)*

Transaction price allocated to remaining performance obligations

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

Segment information

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

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Customer A	55,839	105,974
Customer B ¹	84,852	79,936

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4 PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging/(crediting):

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Included in direct costs:		
Direct labour costs	62,361	58,487
Dispatched labour costs	52,131	89,694
Costs of packaging materials	4,439	3,332
Depreciation on property, plant and equipment	2,008	1,841
Depreciation on right-of-use assets	18,282	9,865
(Gain)/Loss on disposal of property, plant and equipment	(171)	598
Expense relating to short-term leases not included in the measurement of lease liabilities		
– Car parking spaces	687	702
– Warehouses and loading bay	–	2,108
– Forklifts	1,650	5,347
Included in administrative and other operating expenses:		
Auditors' remuneration	525	525
Depreciation on property, plant and equipment	2,031	1,545
Expense relating to short-term leases not included in the measurement of lease liabilities		
– Office premises	180	180
Staff costs, including directors' emoluments	7,204	7,381

5 FINANCE COSTS

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Interest on bank borrowings	82	174
Interest on lease liabilities	2,968	5,764
	3,050	5,938

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

6 INCOME TAX EXPENSE

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

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 for the six months ended 30 September 2020 and 2019.

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

	(Unaudited) Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax: – Current income tax	107	–

7 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

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

	(Unaudited) Six months ended 30 September	
	2020	2019
Profit/(loss) attributable to owners of the Company (HK\$'000)	13,085	(12,421)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (in thousand)	1,000,000	1,000,000
Basic earnings/(loss) per share (HK cents)	1.31	(1.24)

Diluted earnings/(loss) per share for the six months ended 30 September 2020 and 2019 are the same as basic earnings/(loss) per share due to the absence of dilutive potential ordinary shares during the respective periods.

8 DIVIDENDS

No dividend was paid or proposed for the shareholders of the Company during the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment with a cost of HK\$3,943,000 (six months ended 30 September 2019: HK\$4,478,000). The Group also disposed of certain items of property, plant and equipment at the aggregate carrying amount of HK\$274,000 during the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$598,000).

10 LEASES

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

Amounts recognised in the interim condensed consolidated statement of financial position

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

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
Right-of-use assets		
Warehouses and loading bay	54,235	62,974
Equipment	13,088	16,359
	67,323	79,333
Lease liabilities		
Current	38,790	34,390
Non-current	31,878	47,475
	70,668	81,865

During the six months ended 30 September 2020, the Group entered into two new lease agreements for the use of warehouses for 2 years. On leases commencement, the Group recognised approximately HK\$6,272,000 (six months ended 30 September 2019: HK\$20,108,000) of right-of-use assets and lease liabilities.

As at 30 September 2020, the Group entered into new leases for forklifts and office premises, with non-cancellable period of 1 year, the total future undiscounted cash flows over the non-cancellable period amounted to approximately HK\$2,600,000 (31 March 2020: HK\$784,000).

11 CLUB MEMBERSHIP

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
Club membership	869	869

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

12 TRADE RECEIVABLES

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
Trade receivables	106,562	103,637
Less: Loss allowance	(2,467)	(2,467)
	104,095	101,170

Notes:

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

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
0-30 days	54,041	34,647
31-60 days	16,300	58,161
61-90 days	27,799	2,273
Over 90 days	8,422	8,556
	106,562	103,637
Less: Loss allowance	(2,467)	(2,467)
	104,095	101,170

13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
Deposits	6,861	5,362
Prepayments	13,806	16,927
Other receivables	336	779
	21,003	23,068

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14 CASH AND BANK BALANCES AND PLEDGED DEPOSIT

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
Cash at banks (<i>Note a</i>)	55,002	79,396
Cash on hand	790	890
Time deposits	53,011	13,011
	108,803	93,297
Less: Pledged deposit (<i>Note b</i>)	(3,011)	(3,011)
Cash and bank balances	105,792	90,286

Notes:

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (b) As at 31 March 2020 and 30 September 2020, the pledged deposit was placed to secure the Group's outstanding bank borrowings.

15 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020, 1 April 2020, and 30 September 2020	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020, and 30 September 2020	1,000,000,000	10,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16 BANK BORROWINGS

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
Current		
Bank borrowings	3,968	15,513

Notes:

These banking facilities are secured/guaranteed by:

- (i) Certain properties held by Mr. Law Kwok Leung Alex ("**Mr. Alex Law**") and Mr. Law Kwok Ho Simon ("**Mr. Simon Law**") as at 31 March 2020 and 30 September 2020;
- (ii) Unlimited corporate guarantee by the Company as at 31 March 2020 and 30 September 2020; and
- (iii) Certain cash deposits of the Group of approximately HK\$3,011,000 as at 30 September 2020 (31 March 2020: HK\$3,011,000).

The interest rates per annum of borrowings are as follows:

	(Unaudited) As at 30 September 2020	(Audited) As at 31 March 2020
Bank borrowings	2.10% to 3.75%	2.10% to 3.75%

17 TRADE PAYABLES

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

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
0-30 days	12,031	6,972
31-60 days	599	2,133
61-90 days	540	–
Over 90 days	2,434	–
	15,604	9,105

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

18 NOTES TO INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	(Unaudited) Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Profit/(loss) before tax	13,192	(12,421)
Adjustments for:		
Depreciation on property, plant and equipment	4,039	3,386
Depreciation on right-of-use assets	18,282	9,865
(Gain)/loss on disposal of property, plant and equipment	(171)	598
Interest income	(151)	(420)
Interest expense on bank borrowings	82	174
Interest expense on lease liabilities	2,968	5,764
Operating profit before working capital changes	38,241	6,946
Increase in trade receivables	(2,925)	(5,517)
Decrease in other receivables, deposits and prepayments	2,065	1,897
Increase in trade payables	6,499	1,979
Increase in accruals and other payables	7,037	7,928
Net cash generated from operations	50,917	13,233

19 RELATED PARTY TRANSACTIONS

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

During the six months ended 30 September 2020, the Group entered into the following transactions with related parties:

Name of related party	Relationship
Mr. Alex Law and Mr. Simon Law	Directors of the Company
Gobo Trade Limited	Owned by Mr. Alex Law, Mr. Simon Law and their close family member
Hung Kee Vehicle Engineering Limited (Formerly known as "Hung Kee Body Building Factory Limited")	Mr. Alex Law, Mr Simon Law and their close family members have joint control

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

19 RELATED PARTY TRANSACTIONS (Continued)

Name of related party	Nature of transactions	(Unaudited) Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000
Mr. Alex Law and Mr. Simon Law	Office premises rental	180	180
Gobo Trade Limited	Revenue from logistics services	922	481
	Purchases of office supplies	895	544
	Purchases of packaging materials	4,020	3,332
Hung Kee Vehicle Engineering Limited	Vehicle repair and maintenance expenses	826	897
	Purchases of property, plant and equipment	141	–

20 COMMITMENTS

Capital commitment

The Group did not have any capital expenditure commitments contracted but not provided for property, plant and equipment as at 30 September 2020 (31 March 2020: Nil).

21 CONTINGENT LIABILITIES

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

22 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 the interim report, there is no other important event affecting the Group since 30 September 2020 and up to date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the six months ended 30 September 2020 (“**Review Period**”), the global economy has continued to face a number of challenges due to the outbreak of COVID-19 and the uncertainties aroused by the global political conflicts, especially the escalation of Sino-US tensions.

As an established air freight forwarding ground handling services provider and air cargo terminal operating services provider in Hong Kong, the Group continued to provide services to customers including global logistics companies and major freight forwarding agents in the Review Period. Inevitably, the Group’s operation of airport and cargo terminal was seriously affected by the challenging macro environment, and the decreases of trade volume and purchases order have affected the Group’s business expansion and revenue. As a result, the Group recorded a 11.8% decrease in revenue during the Review Period. To minimise the above impact, the Group has adopted effective cost control measures to lower the overall costs. Together with the government grants received in relation to the outbreak of COVID-19, the Group has an operating profit of HK\$16.2 million, as compared to an operating loss in the same period last year.

Amid the unstable economic environment, the Group will continue to adopt a flexible and prudent approach in handling the current situation, evaluate the risk cautiously, and try to mitigate the impact resulting from the complex market environment. The Group will also execute cost control measures strategically to ensure its continuous operation. In addition, for the sustainable development of the Group, it will actively expand its customer bases to increase the Group’s revenue sources and be committed to strengthening its competitiveness in the logistics service industry.

The Group foresees that the global market will continue to face various challenges in the coming months. Therefore, the Group will strive to improve its service quality and actively explore new business opportunities, so as to mitigate the impact of the instabilities in global market.

FINANCIAL REVIEW

Turnover

Revenue of the Group decreased by approximately 11.8% from approximately HK\$214.2 million for the six months ended 30 September 2019 to approximately HK\$188.8 million for the six months ended 30 September 2020. Such decrease was mainly driven by the continuous drop of overall cargo volume processed from air cargo terminal operating services, which was possibly due to the reduced number of flights under the global outbreak of COVID-19. Despite the uncertainties surrounded the world, the Group secured a new customer for air freight forwarding ground handling services which has started service during the Review Period to minimise the impact of COVID-19 pandemic.

Gross profit and gross profit margin

Gross profit increased by approximately 21.7% from approximately HK\$20.3 million for the six months ended 30 September 2019 to approximately HK\$24.7 million for the six months ended 30 September 2020. Such increase was primarily resulted from the Group being able to adopt effective cost control to lower the overall costs. The Group’s gross profit margin for the six months ended 30 September 2020 was approximately 13.1%, representing an increase of approximately 3.6 percentage points as compared to approximately 9.5% for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

Other income and gains mainly comprised of bank interest income, gain on disposal of property, plant and equipment, income from sales of scrap materials, management fee income, government grants received and other miscellaneous income. Other income and gains increased from approximately HK\$1.2 million for the six months ended 30 September 2019 to approximately HK\$17.0 million for the six months ended 30 September 2020. Such increase was mainly due to the government grants received by the Group in relation to the outbreak of COVID-19 of approximately HK\$12.1 million.

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 8.6% from approximately HK\$27.9 million for the six months ended 30 September 2019 to approximately HK\$25.5 million for the six months ended 30 September 2020. Such decrease was mainly due to decrease in warehouse relocation expenses as compared with same period last year.

Finance costs

Finance costs decreased from approximately HK\$5.9 million for the six months ended 30 September 2019 to approximately HK\$3.1 million for the six months ended 30 September 2020 mainly due to decrease in interest on lease liabilities.

Income tax expense

The Group recognised an income tax expense of approximately HK\$0.1 million for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

Profit/(loss) and total comprehensive income/(expense) for the period

As a result of the foregoing, the Group recorded a profit and total comprehensive income attributable to owners of the Company of approximately HK\$13.1 million for the six months ended 30 September 2020 as compared to a loss and total comprehensive expense attributable to owners of the Company of approximately HK\$12.4 million for the six months ended 30 September 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its business operations, bank borrowings and equity contribution from its shareholders. As at 30 September 2020, the Group had net current assets of approximately HK\$144.5 million (31 March 2020: HK\$134.6 million), cash and bank balances of approximately HK\$105.8 million (31 March 2020: HK\$90.3 million) and pledged bank deposit with original maturity over three months of approximately HK\$3.0 million (31 March 2020: HK\$3.0 million).

As at 30 September 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK\$193.0 million (31 March 2020: HK\$179.9 million), and the Group's total debt comprising bank borrowings and lease liabilities amounted to approximately HK\$74.6 million (31 March 2020: HK\$97.4 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 then. The capital of the Group only comprised of ordinary shares.

GEARING RATIO

As at 30 September 2020, the gearing ratio (calculated on the basis of total bank borrowings and lease liabilities divided by the total equity of the Group) was approximately 38.7% (31 March 2020: 54.1%).

COMMITMENTS

As at 30 September 2020, the Group did not have any material capital commitments (31 March 2020: Nil).

As at 30 September 2020, the Group's operating lease commitments were approximately HK\$2.6 million (31 March 2020: HK\$0.8 million).

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liability (31 March 2020: Nil).

INFORMATION ON EMPLOYEES

As at 30 September 2020, the Group employed 446 employees (31 March 2020: 427 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the six months ended 30 September 2020 amounted to approximately HK\$69.6 million (six months ended 30 September 2019: HK\$65.9 million).

CHARGE ON GROUP ASSETS

Certain cash deposits of the Group of approximately HK\$3.0 million as at 30 September 2020 and 31 March 2020 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

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

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

Save as disclosed in this report, the Group did not have any significant investments held, material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 September 2020. There is no other plan for material investments or capital assets as at 30 September 2020.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

EVENT AFTER REPORTING PERIOD

Saved as disclosed in this report, there is no other important event affecting the Group since 30 September 2020 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 28 February 2018 (the "Prospectus") with the Group's actual business progress for the period from the Listing Date to 30 September 2020 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2020 as stated in the Prospectus	Actual business progress up to 30 September 2020
Setting up of new warehouse premises	<ul style="list-style-type: none">– Rental deposit of new warehouse premises in Tuen Mun of around 130,000 sq. ft.– Fitting out and renovation of new warehouse premises– Installation of CCTV system, access control system and burglar alarm system– Installation of cargo storage and forklift operation systems in the new warehouse premises– Installation of RFID applications in the various storage locations in the new warehouses premises for cargo in and out segregation– Installation of measurement and control systems such as automatic measurement and weight check systems for pallet– Acquire mobile devices for scanning applications– Commence operations of the new warehouse premises– Working capital for the initial operation of new warehouse premises	The Group is in the course of identifying suitable warehouse premises. Due to the Group's specific requirements on the warehouse premises and the property market condition of Hong Kong, the Group has taken more time to identify suitable premises for rental on terms acceptable to the Group

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2020 as stated in the Prospectus	Actual business progress up to 30 September 2020
Upgrading existing facilities and acquiring additional trucks and equipment	<ul style="list-style-type: none"> <li data-bbox="333 331 669 392">– Acquire two additional 5.5 ton trucks, three additional 9 ton trucks and ten additional 16 ton trucks <li data-bbox="333 432 669 533">– Upgrade other existing facilities in the Group’s warehouses and offices, such as shelving and racking, CCTV surveillance and fire equipment and RFID applications <li data-bbox="333 557 669 632">– Install two automatic measurement and weight check systems for cargo pallets in cargo receiving areas in the existing warehouses <li data-bbox="333 655 669 772">– 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 our existing warehouses <li data-bbox="333 916 669 975">– Maintenance for the upgraded and new facilities or other existing facilities 	<p data-bbox="697 331 1011 411">The Group has acquired six additional 16 ton trucks and has made the deposit payment for the acquisition of four additional 16 ton trucks</p> <p data-bbox="697 432 1011 491">The Group has upgraded the CCTV surveillance equipment and security system of the warehouses</p> <p data-bbox="697 557 1011 616">The Group has installed one unit of automatic measurement and weight check system</p> <p data-bbox="697 655 1011 895">The Group has installed four units of X-ray machines to upgrade the air cargo security screening facilities. In addition, the Group has made deposit payment for purchase of one additional unit of X-ray machine which was delivered to the Group in October 2020 and one unit of explosives trace detection equipment which is expected to be delivered to the Group in the first quarter of year 2021</p> <p data-bbox="697 916 1011 1032">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</p>

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies as stated in the Prospectus

Implementing new information technology system

Business objectives up to 30 September 2020 as stated in the Prospectus

- 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
- 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
- Upgrade the existing hardwares, acquiring new computer facilities, implementing and engage specialised service providers to develop the new human resources management system
- Implement and evaluate the performance of the new human resources management system

Actual business progress up to 30 September 2020

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

The Group has recruited one experienced personnel responsible for the information system upgrade

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

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM SHARE OFFER

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

An analysis of the utilisation of net proceeds from the Listing as at 30 September 2020 is set out below:

	Planned use of net proceeds up to 30 September 2020 HK\$ million	Actual use of net proceeds up to 30 September 2020 HK\$ million	Unutilised use of net proceeds up to 30 September 2020 HK\$ million
Setting up of new warehouse premises	36.4	–	36.4
Upgrading on existing facilities and acquisition of additional trucks and equipment	36.4	18.7	17.7
New information technology system	14.5	2.4	12.1
General working capital	5.5	5.5	–
	<hr/>	<hr/>	<hr/>
	92.8	26.6	66.2

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 the unused proceeds according to the needs of the current business operation of the Group.

The remaining unutilised net proceeds as at 30 September 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. Such amounts are expected to be fully utilised within 2 years. The Directors will review the Group's business strategies and specific needs from time to time, and the Company will make further announcement if there are any changes in the use of net proceeds as and when appropriate.

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

OTHER INFORMATION

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

As at 30 September 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 for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary share and underlying shares of the Company

Name	Capacity/ Nature of interest	Number of shares of the Company held/interested	Percentage of shareholding
Mr. Alex Law ^{Note 1}	Interest of a controlled corporation	750,000,000	75.0%
Mr. Simon Law ^{Note 2}	Interest of a controlled corporation	225,000,000	22.5%
Mr. Chiu Tat Ting Albert ("Mr. Albert Chiu") ^{Note 3}	Interest of a controlled corporation	75,000,000	7.5%

Notes:

1. Mr. Alex Law beneficially owns 60% of the issued shares 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 shares 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 shares of Dynamic Victor. Therefore, Mr. Albert Chiu is deemed to be interested in 75,000,000 shares of the Company held by Dynamic Victor for the purpose of the SFO.

Save as disclosed above, as at 30 September 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.

OTHER INFORMATION

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

So far as known to the Directors or chief executive of the Company, as at 30 September 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 30 September 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 executives' interest and short positions in shares, underlying shares and debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

COMPETING BUSINESS

During the six months ended 30 September 2020, none of the Directors or the controlling shareholders of the Company (the "**Controlling Shareholders**") and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

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

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

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

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

During the six months ended 30 September 2020, 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).

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2020.

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.

OTHER INFORMATION

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 six months ended 30 September 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules.

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2020 and up to the date of this report.

AUDIT COMMITTEE

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

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

OTHER INFORMATION

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

The Group's interim condensed consolidated financial statements for the six months ended 30 September 2020 are unaudited, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the interim condensed consolidated financial statements of the Group for the six months ended 30 September 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and the interim report are/will be published on the website of the Stock Exchange at (www.hkexnews.hk) and the Company's website at (www.asl.hk). The interim report of the Company for the six months ended 30 September 2020 will be dispatched to the shareholders of the Company. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed interim report, free of charge, at any time by writing to the Company or the Company's registrar, Tricor Investor Services Limited.

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

Hong Kong, 23 November 2020

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