# 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 2021

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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
Windward 3, Regatta Office Park
PO Box 1350
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

Windward 3, Regatta Office Park
PO Box 1350
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

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 2021 (the "**Review Year**" or "**FY2021**").

## OVERVIEW

During the Review Year, the global economy has continued to face uncertainties brought about by the outbreak of the novel coronavirus ("**COVID-19**") and the Sino-United States trade tensions. The challenging macro environment has created continuous impact on the logistics industry and also put pressure on the growth of the Group. For the year ended 31 March 2021, the Group recorded approximately 2.3% decrease in revenue to approximately HK$408.5 million from approximately HK$418.1 million for the year ended 31 March 2020 (the "**Previous Year**" or "**FY2020**"). The decline was mainly driven by the decrease in cargo volume processed from air cargo terminal operating services by the Group under the impact of COVID-19. Despite the challenging environment, the Group successfully secured a new customer during the Review Year. In addition, the Group has taken effective cost control measures to lower the overall costs. Thus, the Group's gross profit increased by approximately 45.0% to approximately HK$59.3 million for the Review Year from approximately HK$40.9 million in FY2020.

## FORWARD

Looking ahead, we remain optimistic towards the Group's future business performance despite the tough 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**"). We are continuously exploring new customers and striving to drive the revenue growth.

To minimise the negative impacts of global economic uncertainties, the Group will execute cost control measures strategically to ensure the Group's continuous operation. For example, the Group has adopted manpower re-allocation measures and salary adjustment. In addition, the Group will continue to improve its service quality and actively explore new business opportunities, so as to maximise 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, 18 June 2021

# 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 FY2021. In FY2021, the Group had a moderate operation and financial performance despite the decline in overall cargo volume processed from air cargo terminal operating services. With its professional and efficient services, the Group had engaged in the air freight forwarding ground handling services for vaccines arriving in Hong Kong at Cathay Pacific Cargo Terminal in February 2021.

Looking ahead, amid the unstable economic environment, the Group will continue to adopt flexible approaches in business operation and take effective cost control measures. With the effective control of COVID-19 in mainland China and launch of vaccines, the management believes that the demand for transport, including air cargo, ground transportation and warehousing services will recover progressively. The Group will strive to maintain good relationship with existing clients and pro-actively acquire new customers by upgrading its existing facilities and enhancing its competitive strengths, so as to mitigate the impact of COVID-19 and other social uncertainties.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group decreased by approximately 2.3% from approximately HK$418.1 million for the FY2020 to approximately HK$408.5 million for the FY2021. Such decrease was mainly driven by the decrease in overall cargo volume processed for air cargo terminal operating services, which mainly due to the reducing demand under the continuous outbreak of COVID-19 pandemic. Despite the unstable business environment, the Group secured a new customer for air freight forwarding ground handling services which has started service during the FY2021 to minimise the impact of COVID-19 pandemic.

### Gross profit and gross profit margin

Gross profit increased by approximately 45.0% from approximately HK$40.9 million for the FY2020 to approximately HK$59.3 million for the FY2021. The Group's gross profit margin for the FY2021 was approximately 14.5%, representing an increase of approximately 4.7% as compared to approximately 9.8% for the FY2020. Such increase was primarily resulted from the Group being able to adopt effective cost control measures to lower the overall costs.

### Other income and gains

Other income and gains mainly comprised of bank interest income, gain on disposal of property, plant and equipment, income from sale of scrap materials, management fee income, government grants, and other miscellaneous income. Other income and gains increased from approximately HK$8.3 million for the FY2020 to approximately HK$34.2 million for the FY2021. Such increase was primarily resulted from the government grants received by the Group in relation to the outbreak of COVID-19 of approximately HK$23.7 million.

### Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 6.7% from approximately HK$50.8 million for the FY2020 to approximately HK$47.4 million for the FY2021, which was mainly attributable to the warehouse relocation expenses for FY2020.

### Finance costs

Finance costs decreased from approximately HK$7.2 million for the FY2020 to approximately HK$5.5 million for the FY2021, mainly due lower in interest on lease liabilities.

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

As a result of the foregoing, the Group recorded a profit and total comprehensive income attributable to owners of the Company of approximately HK$40.5 million for the FY2021 as compared to a loss of approximately HK$8.9 million for the FY2020.

## 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 2021, the Group had net current assets of approximately HK$169.4 million (31 March 2020: HK$ 134.6 million), cash and bank balances of approximately HK$101.9 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 31 March 2021, the Group's total equity attributable to owners of the Company amounted to approximately HK$220.4 million (31 March 2020: HK$179.9 million), and the Group's total debt comprising bank borrowings and lease liabilities amounted to approximately HK$54.0 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.

## CAPITAL STRUCTURE

The Group's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 31 March 2021, the gearing ratio (calculated on the basis of total bank borrowings and lease liabilities divided by total equity of the Group) was approximately 24.5% (31 March 2020: 54.1%). The decrease in gearing ratio was mainly due to the decrease in lease liabilities for the right-of-use assets recognised under HKFRS 16 in the current period.

## COMMITMENTS

As at 31 March 2021, the Group did not have any material capital commitments (31 March 2020: Nil).

As at 31 March 2021, the Group's operating lease commitments were approximately HK$1.0 million (31 March 2020: HK$0.8 million).

## CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any material contingent liability (31 March 2020: Nil).

## INFORMATION ON EMPLOYEES

As at 31 March 2021, the Group employed 438 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 Fund contributions) for the year ended 31 March 2021 amounted to approximately HK$135.7 million (31 March 2020: HK$129.8 million).

## CHARGE ON GROUP ASSETS

Certain cash deposits of the Group of approximately HK$3.0 million as at 31 March 2021 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.

## 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 FY2021. There is no other plan for material investments or capital assets as at 31 March 2021.

## FINAL DIVIDENDS

The Board proposed of a final dividend of HK3.0 cents per ordinary share of the Company in respect of the FY2021, amounting to approximately HK$30.0 million. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting, being the first cash dividend payment since the listing of the Group.

## 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 2021 is set out below:

| Business strategies as stated in the Prospectus | Business objectives up to 31 March 2021 as stated in the Prospectus | Actual business progress up to 31 March 2021 |
|---|---|---|
| Setting up of new warehouse premises | – Rental deposit of new warehouse premises in Tuen Mun of around 130,000 sq. ft.<br>– Fitting out and renovation of new warehouse premises<br>– Installation of CCTV system, access control system and burglar alarm system<br>– Installation of cargo storage and forklift operation systems in the new warehouse premises | The Group is in the course of identifying suitable warehouse premises. Due to (i) the Group's specific requirements on the warehouse premises and the property market condition of Hong Kong; and (ii) the unstable economic environment under the outbreak of the COVID-19 pandemic and the trade tensions between the United States and China, the Group has taken more time to evaluate the needs of the business operation of the Group and identify suitable premises for rental on terms acceptable to the Group |

| Business strategies as stated in the Prospectus | Business objectives up to 31 March 2021 as stated in the Prospectus | Actual business progress up to 31 March 2021 |
|---|---|---|
| | – 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 | |
| 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 eight additional 16 ton trucks. Subsequent to 31 March 2021, the Group has acquired two 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 five units of X-ray machines and one unit of explosive trace detection equipment to upgrade the air cargo security screening facilities. Subsequent to 31 March 2021, the Group made deposit payment for purchase of one additional unit of explosives trace detection equipment which is expected to be delivered to the Group in June 2021 |
| | – 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 2021 as stated in the Prospectus | Actual business progress up to 31 March 2021 |
|---|---|---|
| Implementing new information technology system | – Plan for upgrading the existing warehouse management system and accounting system<br>– 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 system. The electronic data interchange of traffic management system was launched in April 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<br>– Implement and evaluate the performance of 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 currently undergoing the user acceptance testing process and the first attendance module is expected to go live in the third quarter of year 2021 |

## 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 2021 is set out below:

| | Planned use of net proceeds up to 31 March 2021 HK$ million | Actual use of net proceeds up to 31 March 2021 HK$ million | Unutilised use of net proceeds up to 31 March 2021 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 | 21.0 | 15.4 |
| New information technology system | 14.5 | 3.3 | 11.2 |
| General working capital | 5.5 | 5.5 | – |
| | 92.8 | 29.8 | 63.0 |

For the setting up of new warehouse premises, the Group is in the course of identifying suitable warehouse premises. Due to (i) the Group's specific requirements on the warehouse premises and the property market condition of Hong Kong; and (ii) the unstable economic environment under the outbreak of the COVID-19 pandemic and the trade tensions between the United States and China, the Group has taken more time to evaluate the needs of the business operation of the Group and 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 pandemic, 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 2021 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 two 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 FY2021 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 2021, 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

Saved as disclosed in this annual report, there is no other important event affecting the Group since 31 March 2021 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 41, is the chairman of the Board (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 18 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 46, 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 58, 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 33 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 57, 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 58, 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 41, 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 been the chief financial officer, authorised representative and the company secretary of Modern Dental Group Limited (stock code: 3600) since 26 October 2016. Mr. Kwan, has over 14 years of experience in auditing, accounting and corporate management and was responsible for corporate finance, mergers and acquisitions matters, financial and accounting management, investors relations, corporate governance as well as compliance affairs. Prior to March 2014, he worked as a senior manager in both the assurance department and the technical department of Ernst & Young during which he acquired intensive capital market transactions experience. He is currently an independent non-executive director of Vobile Group Limited (stock code: 3738) since June 2021; Lai Group Holding Company Limited (stock code: 8455) since March 2017; Rare Earth Magnesium Technology Group Holdings Limited (stock code: 601) since June 2016 which has applied the appointment of "light touch" joint provisional liquidators for a possible debt restructuring in July 2020, respectively. He was an independent non-executive director of Leyou Technologies Holdings Limited (stock code: 1089) from 5 July 2017 to 31 December 2020, which was delisted in December 2020.

Mr. Kwan is currently a fellow member of the Association of Chartered Certified Accountants since September 2013 and a member of the Hong Kong Institute of Certified Public Accountants since February 2010.

Mr. Kwan was appointed as a reviewer for reviewing and judging the Best Corporate Governance Awards of the Hong Kong Institute of Certified Public Accountants in June 2020.

Mr. Kwan obtained a master's degree in business administration from The Chinese University of Hong Kong in November 2014 and a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 2002.

## SENIOR MANAGEMENT

**Mr. Cheung Tai Lung（張泰隆）**

Mr. Cheung Tai Lung ("**Mr. Cheung**"), aged 36, 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 12 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 39, 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 34, 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 12 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 FY2021, 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 were renewed and signed on 18 March 2021. 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. Alex Law and Mr. Kwan will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on Friday, 20 August 2021. 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. Alex Law as an executive Director and Mr. Kwan 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 and Mr. Albert Chiu is the Chief Executive Officer through out the FY2021.

## 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 FY2021, 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 held two meetings to review the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the FY2021. 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.

During the FY 2021, the Nomination Committee held one meeting to review and recommend the re-election of Directors.

**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 FY2021, the Audit Committee held two meetings to review and comment on the Company's 2020 annual results and 2020 interim results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the FY2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the FY2021 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 FY2021, 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 FY2021 are as follows:

| | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | 2020 Annual General Meeting | Extraordinary General Meeting |
|---|---|---|---|---|---|---|
| | Number of Meetings Attended/Held | | | | | |
| **Executive Directors** | | | | | | |
| Mr. Law Kwok Leung Alex | 3/4 | – | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Law Kwok Ho Simon | 4/4 | – | – | – | 1/1 | 1/1 |
| Mr. Chiu Tat Ting Albert | 4/4 | – | – | – | 1/1 | 1/1 |
| **Independent non-executive Directors** | | | | | | |
| Mr. Ho Chun Chung Patrick | 4/4 | 2/2 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Iu Tak Meng Teddy | 4/4 | 2/2 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Kwan Ngai Kit | 3/4 | 2/2 | 2/2 | 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 FY2021, 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 maximise 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 48 to 51 in this annual report.

During the FY2021, remuneration of approximately HK$880,000 was paid to HLB for the provision of audit services. HLB did not perform any non-audit services during the FY2021.

## 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 FY2021 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 FY2021 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 FY2021, 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 FY2021.

## 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 AFFC.

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

The result of the Group for the FY2021 and the financial position of the Company and of the Group at the FY2021 are set out in the consolidated financial statements on pages 52 to 53 of this annual report.

## FINAL DIVIDENDS

The Board proposed of a final dividend of HK3.0 cents per ordinary share of the Company in respect of the FY2021, amounting to approximately HK$30.0 million. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting, being the first cash dividend payment since the listing of the Group.

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 20 August 2021 (the "**2021 AGM**"). For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 17 August 2021 to Friday, 20 August 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2021 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, 16 August 2021.

In order to qualify for the entitlement to the proposed final dividend, the register of members of the Company will also be closed from Thursday, 26 August 2021 to Monday, 30 August 2021, both days inclusive, during which period no transfer of shares in the Company will be registered. All transfer of shares, accompanied by the relevant share certificates, must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 August 2021. If the resolution of the proposed final dividend is passed at the 2021 AGM, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Monday, 30 August 2021. The proposed final dividend is expected to be paid on or before Monday, 20 September 2021.

## 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 FY2021 are set out in Note 15 to the consolidated financial statements.

## DONATION

There are no charitable donations for the FY2021 (FY2020: 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 FY2021, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

## RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 31 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 revised 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. The annual cap for the three years ending 31 March 2023 were revised to approximately HK$10,000,000, HK$15,500,000 and HK$17,000,000, respectively, and were approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 March 2021.

Taking into account that the Group has established good and long-standing relationships with Gobo Trade and has been purchasing 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 Group is experiencing increasing demand in packaging materials due to (i) larger scale of sales, the Group has engaged a new sizeable customer in June 2020. Also, there is an increasing demand for the Group's services from its existing customers. As packaging materials are one of the main direct costs for and positively correlated to the amount of service provided by the Group, the amount of packaging materials used has increased accordingly; and (ii) government regulation, the use of packaging materials has increased due to Regulated Air Cargo Screening Facilities Scheme launched by the Civil Aviation Department for facilitating the establishment and operation of air cargo screening facilities at off-airport locations. The Board is of the view that the revised annual cap will support the Group to meet its current operational demand for packaging materials and also serve as a buffer in order to cope with the unforeseen increases in demand of packaging materials from the Group due to business expansion in the future.

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 29 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 2021 is set out in the consolidated statement of changes in equity.

## MAJOR CUSTOMERS AND SUPPLIERS

During the FY2021, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 44%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 99%.

During the FY2021, the percentage of the Group's largest subcontractor was approximately 28% of the total direct costs for the period, while the percentage of the Group's five largest suppliers and subcontractors accounted for approximately 49% 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. Alex Law and Mr. Kwan will retire at the 2021 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 FY2021 falls within the following band:

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

## 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 2021 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 29 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 FY2021, 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 2021, 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 | 262,500,000 | 26.25% |

Notes:

1. Mr. Alex Law beneficially owns 65% 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 35% of the issued share capital of Dynamic Victor. Therefore, Mr. Simon Law is deemed to be interested in 262,500,000 shares of the Company held by Dynamic Victor for the purpose of the SFO.

Save as disclosed above, as at 31 March 2021, 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 2021, 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% |

Note:

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.

Save as disclosed above, as at 31 March 2021, 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 FY2021.

## 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 FY2021.

### 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 32 (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.

According to the Company's announcement dated 18 March 2021, Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu has entered into the sale and purchase agreement, pursuant to which Mr. Albert Chiu agree to sell his shares in Dynamic Victor (the "**Sale Shares**"), representing 10% of the issued share capital of Dynamic Victor, and each of Mr. Alex Law and Mr. Simon Law agreed to purchase half of the Sale Shares on 18 March 2021. Upon the completion of such acquisition, Dynamic Victor is beneficially owned as to 65% by Mr. Alex Law and 35% by Mr. Simon Law. The undertakings given by Mr. Albert Chiu pursuant to the Deed of Non-competition have lapsed upon completion of the transfer of the Sale Shares.

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 FY2021, 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 FY2021.

## 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 FY2021 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 FY2021 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, 18 June 2021

## 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 2020 to 31 March 2021 (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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby to large extent minimising the Group's undue impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board has ultimate responsibilities for ensuring the effectiveness of the Group's Environmental, Social and Governance (collectively the "**ESG**") policies.

The Group has established dedicated teams to manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues has been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group.

With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management and responsible teams keep reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.

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

## CLIMATE CHANGE

Climate change is one of the most complicated challenges faced by mankind's in the new century. Global warming gives rise to more frequent extreme weather conditions including changes in precipitation mode, droughts, floods and bushfires. Rise in sea level will make tens of thousands of people in densely populated coastal areas and island countries homeless. Faced with all sorts of problems, individuals, corporations and governments must take immediate actions to tackle climate change.

Over-emission of greenhouse gases is the main factor in causing global climate change. To achieving a low carbon economy, the Group is committed to reducing its greenhouse gas emissions through the approaches of mitigation and adaptation. For example, the Group has strived to mitigate the risks brought by climate change through the adoption of various environmental policies and measures; and promoting energy saving measures and habits in office. The Group has also considered potential physical risks of climate change to its daily operation such as storms, fires or heatwaves and through implementation of the relevant protection measures to minimize the risks.

The Group are focused on reducing emissions in its operations, engaging suppliers to reduce emissions in supply chains, strengthening the resilience of its business and using its voice to advocate for collective action.

## 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 and business operation

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**"). Also, the use of electricity in headquarter office and AFFC generate carbon dioxides ("**$CO_2$**"). The approximate amount of $NO_X$, $SO_X$, PM and $CO_2$ produced from the operations in Hong Kong are shown in the tables below:

### Air pollutants from vehicles usage

| Types of key air pollutants | 2021 | 2020 |
|---|---|---|
| $NO_X$ emissions (tonnes) | 6.44 | 6.69 |
| $SO_X$ emissions (tonnes) | 0.006 | 0.006 |
| PM emissions (tonnes) | 0.4640 | 0.4793 |

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 emissoin has dropped, 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 purchase of energy has decreased approximately 6% 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. 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** | **2021 $CO_2$ equivalent emission** | **2020 $CO_2$ equivalent emission** |
|---|---|---|
| Scope 1 – Direct emissions (tonnes) | 967.77 | 1,025.84 |
| Scope 2 – Energy indirect emissions (tonnes) | 650.02 | 569.22 |
| Total | 1,617.79 | 1,595.06 |

**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.

**Energy consumption**

The Group main energy consumptions are non-renewable fuel ("**NRF**") (direct) including diesel and purchase of energy in the form or electricity. The Group determines to maximise energy conservation in its office, rented warehouse premises and Cathay Pacific Cargo Terminal by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment with high efficient energy label to increase energy efficiency.

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The total energy consumption in kWh and intensity are shown in table below:

| **Energy Consumption** | **2021** | **2020** |
|---|---|---|
| Purchase of energy (kWh) | 3,907,051 | 4,139,526 |
| NRF consumed (kWh) | 1,300,046 | 1,116,113 |
| Total | 5,207,097 | 5,255,639 |
| Intensity of total energy consumption per no. of employees (kWh) | 11,888 | 12,308 |

The energy consumption has slightly decreased from 5,255,639 kWh to 5,207,097 kWh, which is 1% decrease in compare with last year. The Group believes that the energy conservation norm will be developed among all staff through the internal training.

### 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.

**Employment Key Performance Indicators (Employee)**

**Workforce structure as at 31 March 2021**

| Gender | Age below 30 | Age 30-50 | Age over 50 | Number of employees by gender | Total number of employees | 2021 Ratio of number of male to female employees | 2020 Ratio of number of male to female employees |
|---|---|---|---|---|---|---|---|
| Male | 46 | 184 | 83 | 313 | 438 | 2.5:1 | 2.4:1 |
| Female | 22 | 74 | 29 | 125 | | | |
| **Total** | **68** | **258** | **112** | **438** | | | |

**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 | 2021 Percentage of new recruits to total number of employees | 2020 Percentage of new recruits to total number of employees |
|---|---|---|---|---|---|---|---|
| Male | 16 | 26 | 4 | 46 | 58 | 13% | 11% |
| Female | 4 | 5 | 3 | 12 | | | |
| **Total** | **20** | **31** | **7** | **58** | | | |

**Employee turnover in the Reporting Period**

| Gender | Age below 30 | Age 30-50 | Age over 50 | Staff turnover by gender | Total staff turnover | 2021 Percentage of employee turnover to total number of employees | 2020 Percentage of employee turnover to total number of employees |
|---|---|---|---|---|---|---|---|
| Male | 10 | 30 | 13 | 53 | 73 | 17% | 25% |
| Female | 7 | 9 | 4 | 20 | | | |
| **Total** | **17** | **39** | **17** | **73** | | | |

**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)**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of work injuries | 12 | 5 | 14 |
| Rate of work injury (per hundred employees) | 2.74 | 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.

**Development and Training Key Performance Indicators (Employee)**

| Trained staff | Senior managerial level | Managerial level | General staff | Percentage of employees receiving training by gender | 2021 Overall percentage of employees receiving training | 2020 Overall percentage of employees receiving training |
|---|---|---|---|---|---|---|
| Male | 100% | 100% | 100% | 100% | 100% | 100% |
| Female | 100% | 100% | 100% | 100% | | |

| Average training hours ompleted | Senior managerial level | Managerial level | General staff | Average training hours completed by gender | 2021 Overall average completed training hour | 2020 Overall average completed training hour |
|---|---|---|---|---|---|---|
| Male | 6 hours | 10 hours | 20 hours | 19 hours | 19 hours | 19.5 hours |
| Female | 5 hours | 8 hours | 18 hours | 18 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.

**Number of critical suppliers corporated with the Group during the Reporting Period**

| Region | 2021 | 2020 |
|---|---|---|
| Hong Kong | 5 | 5 |

**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 our services.

**Protection of intellectual property right and consumer privacy**

The Group recognise the importance of the protection over intellectual property right and consumer privacy. Proper licences for software and information are obtained by the Group to use in its business operation.

Meanwhile, the Group handles all information provided by clients, employees and business partner in accordance with Personal Data (Privacy) Ordinance and related laws and regulations to ensure those information is under proper protection.

**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 organisation, to support the needy for 24-hour emergency support free of charge and care services to Senior Citizen.

Moreover, the Group has donated to Caritas Computer Workshop, which aims to recycle old computers, and support the families with high quality refurbished computers.

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** | | **2021 Data** | **2020 Data** | **The Stock Exchange ESG Reporting Guide KPI** |
|---|---|---|---|---|
| Emission | Total $NO_x$ emissions (tonnes) | 6.44 | 6.69 | KPI A1.1 |
| | Total $SO_x$ emissions (tonnes) | 0.006 | 0.006 | KPI A1.1 |
| | Total PM emissions (tonnes) | 0.4640 | 0.4793 | KPI A1.1 |
| | Total GHG emissions – scope 1 (tonnes) | 967.77 | 1,025.84 | KPI A1.2 |
| | Total GHG emissions – scope 2 (tonnes) | 650.22 | 569.22 | KPI A1.2 |

**Aspect A2: Use of resources**

| **Performance indicator** | | **2021 Data** | **2020 Data** | **The Stock Exchange ESG Reporting Guide KPI** |
|---|---|---|---|---|
| Energy | Total energy consumption (kWh) | 5,207,097 | 5,225,639 | KPI A2.1 |

**Social performance indicators**

**Aspect B1: Employment**

| **Performance indicator** | | **2021 Data** | **2020 Data** | **The Stock Exchange ESG Reporting Guide KPI** |
|---|---|---|---|---|
| **Number of employees** | Gender | | | KPI B1.1 |
| | – Male | 313 | 300 | |
| | – Female | 125 | 127 | |
| **Employee recruit** | Gender | | | KPI B1.1 |
| | – Male | 46 | 36 | |
| | – Female | 12 | 10 | |
| **Employee turnover** | Gender | | | KPI B1.2 |
| | – Male | 53 | 71 | |
| | – Female | 20 | 35 | |

**Aspect B2: Health and safety**

| Performance indicator | 2021 Data | 2020 Data | 2019 Data | The Stock Exchange ESG Reporting Guide KPI |
|---|---|---|---|---|
| Number of work injuries | 12 | 5 | 14 | KPI B2.1 |
| Rate of work injury (per hundred employees) | 2.74 | 1.17 | 3.03 | KPI B2.1 |

**Aspect B3: Development and training**

| Performance indicator | | 2021 Data | 2020 Data | The 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) | 19 | 20 | |
| | – Female (hours) | 18 | 19 | |

**Aspect B5: Supply Chain Management**

| Performance indicator | | 2021 Data | 2020 Data | The Stock Exchange ESG Reporting Guide KPI |
|---|---|---|---|---|
| **Number of Supplier by geographical region** | By region | | | KPI B5.1 |
| | Hong Kong | 5 | 5 | |

# INDEPENDENT AUDITORS' REPORT

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

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

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

## OPINION

We have audited the consolidated financial statements of A & S Group (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 52 to 97, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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.<br><br>As at 31 March 2021, trade receivables amounted to approximately HK$122,938,000, net of a loss allowance of approximately HK$854,000.<br><br>Management uses the simplified approach to calculate expected credit loss ("**ECL**") for trade receivables.<br><br>Management has engaged an independent specialist to determine ECL.<br><br>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:<br><br>• obtaining an understanding of how management perform assessment of the loss allowance;<br><br>• testing on a sample basis the outstanding balances by agreeing the balances to underlying correspondence;<br><br>• testing the propriety of the ageing of trade receivables at year end to the supporting documents on a sample basis;<br><br>• 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<br><br>• 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, actions taken to eliminate threats or safeguards applied.

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 Mr. Chan Ching Pang.

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

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

Hong Kong, 18 June 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| Revenue | *5* | **408,500** | 418,123 |
| Direct costs | | **(349,190)** | (377,241) |
| Gross profit | | **59,310** | 40,882 |
| Other income and gains | *6* | **34,161** | 8,286 |
| Administrative and other operating expenses | | **(47,426)** | (50,750) |
| Reversal of/(provision for) loss allowance on trade receivables, net | | **1,613** | (120) |
| Operating profit/(loss) | | **47,658** | (1,702) |
| Finance costs | *10* | **(5,499)** | (7,150) |
| Profit/(loss) before tax | *7* | **42,159** | (8,852) |
| Income tax expense | *11* | **(1,637)** | – |
| Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company | | **40,522** | (8,852) |
| Basic and diluted earnings/(loss) per share | *12* | **HK4.05 cents** | HK(0.89) 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 2021

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *15* | **14,089** | 13,107 |
| Right-of-use assets | *16* | **48,666** | 79,333 |
| Club membership | *17* | **869** | 869 |
| | | **63,624** | 93,309 |
| **Current assets** | | | |
| Trade receivables | *19* | **122,938** | 101,170 |
| Other receivables, deposits and prepayments | *20* | **18,654** | 23,068 |
| Amount due from a related company | *21* | **35** | 35 |
| Pledged deposit | *22* | **3,012** | 3,011 |
| Cash and bank balances | *22* | **101,860** | 90,286 |
| Tax recoverable | | **–** | 367 |
| | | **246,499** | 217,937 |
| **Total assets** | | **310,123** | 311,246 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | *23* | **10,000** | 10,000 |
| Reserves | | **210,390** | 169,868 |
| **Total equity** | | **220,390** | 179,868 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | *16* | **11,888** | 47,475 |
| Deferred tax liabilities | *26* | **763** | 560 |
| | | **12,651** | 48,035 |
| **Current liabilities** | | | |
| Trade payables | *27* | **12,520** | 9,105 |
| Accruals and other payables | *27* | **21,340** | 24,335 |
| Bank borrowings | *25* | **2,399** | 15,513 |
| Lease liabilities | *16* | **39,756** | 34,390 |
| Tax payable | | **1,067** | – |
| | | **77,082** | 83,343 |
| **Total liabilities** | | **89,733** | 131,378 |
| **Total equity and liabilities** | | **310,123** | 311,246 |
| **Net current assets** | | **169,417** | 134,594 |
| **Total assets less current liabilities** | | **233,041** | 227,903 |

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 18 June 2021 and signed on its behalf by:

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

| | 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 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 |
| Balance at 1 April 2020 | **10,000** | **98,122** | **(1)** | **71,747** | **179,868** |
| Profit and total comprehensive income for the year | **–** | **–** | **–** | **40,522** | **40,522** |
| **Balance at 31 March 2021** | **10,000** | **98,122** | **(1)** | **112,269** | **220,390** |

*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 2021

| | *Notes* | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | *28(a)* | **74,934** | 36,067 |
| Income tax paid | | **–** | 3,289 |
| **Net cash generated from operating activities** | | **74,934** | 39,356 |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | **871** | 365 |
| Purchase of property, plant and equipment | | **(9,358)** | (8,642) |
| Increase in pledged deposit | | **(1)** | (7) |
| Interest received | | **233** | 1,113 |
| **Net cash used in investing activities** | | **(8,255)** | (7,171) |
| **Cash flows from financing activities** | | | |
| New bank borrowings | | **–** | 10,000 |
| Repayment of bank borrowings | | **(13,114)** | (5,758) |
| Principal element on lease liabilities | | **(36,492)** | (28,537) |
| Interest element on lease liabilities | | **(5,368)** | (6,842) |
| Interest paid on bank borrowings | | **(131)** | (308) |
| **Net cash used in financing activities** | | **(55,105)** | (31,445) |
| **Net increase in cash and cash equivalents** | | **11,574** | 740 |
| **Cash and cash equivalents at beginning of the year** | | **90,286** | 89,546 |
| **Cash and cash equivalents at end of the year** | | **101,860** | 90,286 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

A & S Group (Holdings) Limited (the "**Company**") was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are 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 65% by Mr. Law Kwok Leung Alex ("**Mr. Alex Law**") and 35% by Mr. Law Kwok Ho Simon ("**Mr. Simon Law**") (collectively referred to as the "**Controlling Shareholders**").

The address of the Company's registered office is Windward 3, Regatta Office Park, PO Box 1350, 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 18 June 2021.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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.

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

#### *2.1.1 Changes in accounting policies*

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

The Group has applied the following new standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

| | |
|---|---|
| HKFRS 3 (Amendments) | Definition of a Business |
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material |
| HKFRS 16 (Amendments) | COVID-19 Related Rent Concession |
| HKFRS 7, HKFRS 9 and HKAS 39 (Amendments) | Interest Rate Benchmark Reform (Phase 1) |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting |

The Group had to change its accounting policies, but no retrospective adjustments were resulted following the early adoption of the amendments to HKFRS 16. The impact of adoption is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### *2.1.1 Changes in accounting policies (continued)*

*(b) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| | | **Effective for the accounting periods beginning on or after** |
|---|---|---|
| HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments) | Interest Rate Benchmark Reform (Phase 2) | 1 January 2021 |
| HKFRS 16 (Amendments) | COVID-19 Related Rent Concessions beyond 30 June 2021 | 1 April 2021 |
| HKAS 16 (Amendments) | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| HKAS 37 (Amendments) | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework | 1 January 2022 |
| Annual Improvements Projects | Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 | 1 January 2022 |
| Accounting Guideline 5 (Amendments) | Merger Accounting for Common Control Combinations | 1 January 2022 |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| HKAS 8 (Amendments) | Definition of Accounting Estimates | 1 January 2023 |
| HKAS 12 (Amendments) | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| HKFRS 17 | Insurance Contracts and the related Amendments | 1 January 2023 |
| Hong Kong Interpretation 5 (2020) | Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### *2.1.1 Changes in accounting policies (continued)*

*(b) New standards and interpretations not yet adopted (continued)*

The Group is in the process of assessing potential impact of the above new standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment, management does not anticipate any significant impact on the Group's consolidated financial position and consolidated results of operations upon adopting the above new standards and amendments. Management plans to adopt these new standards and amendments to existing standards when they become mandatory.

### 2.2 Changes in accounting policies

The Group has early adopted Amendment to HKFRS 16 "COVID-19 Related Rent Concessions" retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19 related rent concessions. Rent concessions approximately HK$250,000 have been accounted for as negative variable lease payments and recognised in direct costs in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021, with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 April 2020.

### 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 acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries (continued)

#### *2.3.1 Consolidation (continued)*

*(a) Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries (continued)

#### *2.3.1 Consolidation (continued)*

(b) *Changes in ownership interests in subsidiaries without change of control*

Transaction with non-controlling interests that do not result in loss of control are accounted for as equity transaction – that is, as transactions with the owner of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### *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.

### 2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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)

### 2.6 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 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 | Shorter of the unexpired term of lease and their estimated useful lives |
| – Warehouse operating equipment | 30% |
| – Furniture, fixtures and office equipment | 20% – $33^1/_3$% |
| – Trucks, pallet trucks and motor vehicles | 20% – $33^1/_3$% |

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, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Leases

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.

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.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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 Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security etc.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Leases (continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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.

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. Low-value assets comprise equipment and small items of office furniture.

### 2.10 Financial assets

#### *(a) Classification*

There is one measurement category which the Group classifies its financial assets:

- 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (continued)

#### *(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.

#### *(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. There is one measurement category which the Group classifies its debt instruments:

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 presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

#### *(d) Impairment of financial assets*

The Group assesses on a forward-looking basis the expected credit losses ("**ECL**") associated with its debt instruments 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial liabilities

***(a) Initial recognition and measurement***

Financial liabilities of the Group are classified, at initial recognition, at amortised cost.

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

***(b) Subsequent measurement***

After initial recognition, financial liabilities 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 profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

***(c) Derecognition of financial liabilities***

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

### 2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has 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.

### 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 based on the present value of the difference in cash flows between the contractual payments required 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.

### 2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and banks, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 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 and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their 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 removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 reporting period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

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

### 2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates 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***

Deferred income tax is provided in full, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Current and deferred income tax (continued)

***Deferred income tax (continued)***

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in 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.

### 2.21 Employee benefits

***Short-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deduction of any amount already paid.

***Retirement benefit costs***

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

### 2.22 Share-based payments

***Employee options***

Share-based compensation benefits are provided to employees via the Group's employee option scheme, the executive short-term incentive scheme and share appreciation.

The fair value of options granted under the employee option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Share-based payments (continued)

***Employee options (continued)***

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

### 2.23 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.

### 2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of services in the ordinary course of the Group's activities.

Revenues are recognised when or as the control of the 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 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 services 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 services.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 Revenue recognition (continued)

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.

### 2.25 Earnings per share

***Basic earnings per share***

Basic earnings per share is calculated by dividing:

- the profit attributable to equity owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

***Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 2.26 Interest income

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

### 2.27 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

### 2.29 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 their 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 2021, 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$24,000 (2020: loss after tax for the year would have been increased/decreased by approximately HK$155,000), mainly as a result of the changes in the interest expense on borrowings with floating interest rates.

***(ii) Credit risk***

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.

In respect of trade and other receivables, 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 performs impairment assessment under ECL model on its financial assets. In this regard, management considers that the Group's credit risk is significantly reduced.

## 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 – 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 2021 and 2020:

| | | | Gross carrying amounts | |
|---|---|---|---|---|
| | | | **2021** | 2020 |
| | *Notes* | **12-month ECL or lifetime ECL** | **HK$'000** | HK$'000 |
| *Financial assets at amortised cost* | | | | |
| Trade receivables | *(i)* | Lifetime ECL | **122,938** | 103,637 |
| Other receivables and deposits | *(ii)* | 12-month ECL | **6,947** | 6,141 |
| Amount due from a related company | *(ii)* | 12-month ECL | **35** | 35 |
| Pledged deposit | *(iii)* | 12-month ECL | **3,012** | 3,011 |
| Cash and bank balances | *(iii)* | 12-month ECL | **101,860** | 90,286 |

*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 insignificant 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$854,000 (2020: HK$2,467,000) recognised in accordance with HKFRS 9 as at 31 March 2021.

The loss allowance for trade receivables was determined as follows:

| | Weighted average expected credit loss rate | Gross carrying amount HK$'000 | Loss allowance HK$'000 | Net carrying amount HK$'000 |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| Trade receivables | **0.69%** | **123,792** | **(854)** | **122,938** |
| At 31 March 2020 | | | | |
| Trade receivables | 2.38% | 103,637 | (2,467) | 101,170 |

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors expect that the risk of default by the counterparties of other receivables is not significant.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. The Group is also subject to concentration of credit risk arising from its trade receivables. As at 31 March 2021, there were three (2020: two) customers which individually contributed over 10% of the Group's trade receivables. The aggregate amounts of trade receivables from these customers amounted to 92% (2020: 90%) of the Group's total trade receivables as at 31 March 2021.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables as disclosed above, the Group does not have any other significant concentration of credit risk.

## 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 non-derivative 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$'000** | **More than One but less then two years HK$'000** | **More than two but less than five years HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| Trade payables | **12,520** | **–** | **–** | **12,520** |
| Accruals and other payables | **21,340** | **–** | **–** | **21,340** |
| Bank borrowings | **2,406** | **–** | **–** | **2,406** |
| Lease liabilities | **42,304** | **12,067** | **–** | **54,371** |
| | **78,570** | **12,067** | **–** | **90,637** |

| | On demand or within one year HK$'000 | More than One but less then two years HK$'000 | More than two but less than 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 |

## 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 2021 and 2020 will be as follows:

| | **On demand or within one year HK$'000** | **More than One but less then two years HK$'000** | **More than two but less than five years HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| Bank borrowings | **2,406** | **–** | **–** | **2,406** |

| | On demand or within one year HK$'000 | More than One but less then two years HK$'000 | More than two but less than five years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 31 March 2020 | | | | |
| Bank borrowings | 13,240 | 2,430 | – | 15,670 |

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders 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, issue new shares or sell assets to reduce debt.

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

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital risk management (continued)

The gearing ratios of the Group are as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Total interest-bearing liabilities and lease liabilities | 54,043 | 97,378 |
| Total equity | 220,390 | 179,868 |
| Gearing ratio | 25% | 54% |

### 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

The Group makes estimates and assumptions concerning the future.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.

## 5 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year are as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Revenue from customers and recognised over time:** | | |
| Air freight forwarding ground handling services | 293,855 | 218,996 |
| Air cargo terminal operating services | 114,645 | 199,127 |
| | 408,500 | 418,123 |

*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.

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### 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 2021 and 2020 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:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Customer A | **114,645** | 199,127 |
| Customer B[1] | **177,782** | 163,770 |
| Customer C | **56,902** | – |

[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:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Other income and gains** | | |
| Bank interest income | **233** | 1,113 |
| Gain on disposal of property, plant and equipment | **593** | – |
| Income from sale of scrap materials | **27** | 380 |
| Management fee income | **1,151** | 1,553 |
| Government grants *(Note)* | **23,658** | – |
| Others | **8,499** | 5,240 |
| | **34,161** | 8,286 |

*Note:* During the current year, the Group recognised government grants in respect of COVID-19 related subsidies provided by the Hong Kong government, of which approximately HK$23,158,000 related to Employment Support Scheme and HK$500,000 related to one-off subsidy for transport trades under Anti-epidemic Fund. There are no unfilled conditions or other contingencies attaching to these grants.

## 7 PROFIT/(LOSS) BEFORE TAX

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Profit/(loss) before tax has been arrived at after charging: | | |
| Included in direct costs: | | |
| Direct labour costs *(Note 8)* | 120,790 | 114,514 |
| Dispatched labour costs | 120,737 | 166,902 |
| Costs of packaging materials | 9,920 | 6,017 |
| Depreciation of property, plant and equipment | 3,834 | 3,640 |
| Depreciation of right-of-use assets | 37,390 | 31,760 |
| Expense relating to short-term leases not included in the measurement of lease liabilities | | |
| – Car parking spaces | 1,395 | 1,374 |
| – Warehouses and loading bay | – | 2,660 |
| – Forklifts | 3,718 | 6,770 |
| Included in administrative and other operating expenses: | | |
| Auditors' remuneration | | |
| – Audit services | 880 | 1,000 |
| Depreciation of property, plant and equipment | 4,264 | 3,296 |
| Loss on disposal of property, plant and equipment | – | 242 |
| Expense relating to short-term leases not included in the measurement of lease liabilities | | |
| – Office premises | 360 | 360 |
| Staff costs, including directors' and chief executive officer' s emoluments *(Note 8)* | 14,899 | 15,274 |

## 8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Salaries and allowances and other benefits | 130,438 | 124,774 |
| Retirement scheme contributions | 5,251 | 5,014 |
| Total employee benefit expenses | 135,689 | 129,788 |

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 2021 and 2020 is set out below:

| | Fees HK$'000 | Salaries and other benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Contributions to retirement benefit scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2021** | | | | | |
| *Executive directors* | | | | | |
| Mr. Alex Law | – | 4,326 | 567 | 18 | 4,911 |
| Mr. Simon Law | – | 2,185 | 287 | 18 | 2,490 |
| Mr. Chiu Tat Ting Albert ("**Mr. Albert Chiu**") *(Note (i))* | – | 1,758 | 220 | 18 | 1,996 |
| *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 | 8,269 | 1,074 | 54 | 9,757 |
| **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 *(Note (i))* | – | 1,850 | – | 18 | 1,868 |
| *Independent non-executive directors* | | | | | |
| Mr. Iu | 120 | – | – | – | 120 |
| Mr. Kwan | 120 | – | – | – | 120 |
| Mr. Ho | 120 | – | – | – | 120 |
| | 360 | 8,798 | – | 54 | 9,212 |

*Note:*

(i) Mr. Albert Chiu is the chief executive officer of the Company and his emoluments disclosed above included these services rendered by him as the chief executive officer.

Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the year ended 31 March 2021 (2020: Nil).

## 9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2020: three) of them are directors whose emoluments are disclosed above. Details of the emoluments in respect of the remaining two (2020: two) highest paid individual are as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Salaries and allowances | 1,940 | 2,391 |
| Discretionary bonuses | 199 | – |
| Retirement scheme contributions | 36 | 36 |
| | 2,175 | 2,427 |

The number of the highest paid individuals who are not the directors of the Company whose emoluments fell within the following band:

| | Number of individuals 2021 | 2020 |
|---|---|---|
| HK$1,000,001 – HK$1,500,000 | 2 | 2 |

During the year ended 31 March 2021, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

## 10 FINANCE COSTS

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Interest on leases liabilities *(Note 16)* | 5,368 | 6,842 |
| Interest on bank borrowings | 131 | 308 |
| | 5,499 | 7,150 |

## 11 INCOME TAX EXPENSE

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Hong Kong profits tax: | | |
| – Current income tax | 1,434 | – |
| Deferred income tax *(Note 26)* | 203 | – |
| Income tax expense | 1,637 | – |

## 11 INCOME TAX EXPENSE (CONTINUED)

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.

The income tax expense for the year can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Profit/(loss) before tax | **42,159** | (8,852) |
| Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%) | **6,956** | (1,461) |
| Income not subject to tax | **(3,941)** | (164) |
| Expenses not deductible for tax purposes | **98** | 260 |
| Tax losses not recognised | **–** | 1,281 |
| Different tax rates of the entities operating in other jurisdictions | **(3)** | (6) |
| Temporary differences not recognised | **(90)** | 90 |
| Utilisation of previously unrecognised tax losses | **(1,208)** | – |
| Income tax at concessionary rate | **(165)** | – |
| Tax reduction | **(10)** | – |
| Income tax expense | **1,637** | – |

## 12 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

| | **2021** | 2020 |
|---|---|---|
| Profit/(loss) attributable to owners of the Company (HK$'000) | **40,522** | (8,852) |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (in thousands) | **1,000,000** | 1,000,000 |
| Basic earnings/(loss) per share (HK cents) | **4.05** | (0.89) |

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2021 and 2020.

## 13 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2021:

| Name of entities | 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

During the year ended 31 March 2021, the Company declared dividends of HK$0.03 per share to its then shareholders.

During the year ended 31 March 2020, no dividends were declared and paid by the Company.

## 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 2020 | **4,392** | **3,778** | **5,385** | **36,147** | **49,702** |
| Additions | **1,179** | **2,738** | **1,049** | **4,392** | **9,358** |
| Disposals | **–** | **–** | **(18)** | **(2,308)** | **(2,326)** |
| At 31 March 2021 | **5,571** | **6,516** | **6,416** | **38,231** | **56,734** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2020 | **2,408** | **497** | **2,996** | **30,694** | **36,595** |
| Charge for the year | **1,307** | **1,277** | **1,347** | **4,167** | **8,098** |
| Disposals | **–** | **–** | **(5)** | **(2,043)** | **(2,048)** |
| At 31 March 2021 | **3,715** | **1,774** | **4,338** | **32,818** | **42,645** |
| **Net book value** | | | | | |
| At 31 March 2021 | **1,856** | **4,742** | **2,078** | **5,413** | **14,089** |
| 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 |

## 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:

***As a lessee***

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Warehouses and loading bay | **38,850** | 62,974 |
| Equipment | **9,816** | 16,359 |
| | **48,666** | 79,333 |
| **Lease liabilities** | | |
| Current | **39,756** | 34,390 |
| Non-current | **11,888** | 47,475 |
| | **51,644** | 81,865 |

Additions to the right-of-use assets for the year ended 31 March 2021 were approximately HK$6,723,000 (2020: 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:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Warehouses and loading bay | **30,847** | 28,453 |
| Equipment | **6,543** | 3,307 |
| | **37,390** | 31,760 |
| Interest expense (included in finance costs – *Note 10*) | **5,368** | 6,842 |
| Expense relating to short-term leases (included in direct costs, and administrative and other operating expenses) | **5,705** | 10,842 |
| Expense relating to variable lease payments not included in lease liabilities (included in direct costs) | **18** | 322 |
| COVID-19 related rent concessions | **(250)** | – |

The total cash outflow for leases for the year ended 31 March 2021 were HK$47,333,000 (2020: HK$46,543,000).

As at 31 March 2021, 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$967,000 (2020: HK$784,000).

## 16 LEASES (CONTINUED)

### (c) The Group's leasing activities

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

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 or 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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| *Financial assets at amortised cost* | | |
| Trade receivables | **122,938** | 101,170 |
| Other receivables and deposits | **6,947** | 6,141 |
| Amount due from a related company | **35** | 35 |
| Pledged deposit | **3,012** | 3,011 |
| Cash and bank balances | **101,860** | 90,286 |
| | **234,792** | 200,643 |
| **Financial liabilities** | | |
| *Financial liabilities at amortised cost* | | |
| Trade payables | **12,520** | 9,105 |
| Accruals and other payables | **21,340** | 24,335 |
| Bank borrowings | **2,399** | 15,513 |
| Lease liabilities | **51,644** | 81,865 |
| | **87,903** | 130,818 |

## 19 TRADE RECEIVABLES

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Trade receivables | **123,792** | 103,637 |
| Less: Loss allowance | **(854)** | (2,467) |
| | **122,938** | 101,170 |

The credit period granted to customers is 30 to 90 days from invoice date generally. Trade receivables are denominated in HK$. As at 31 March 2021 and 2020, the Group does not hold any collateral as security.

## 19 TRADE RECEIVABLES (CONTINUED)

At 31 March, the ageing analysis of the trade receivables, net of loss allowance, presented based on invoice date are as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| 0–30 days | 38,948 | 34,647 |
| 31–60 days | 58,788 | 58,161 |
| 61–90 days | 11,992 | 2,273 |
| Over 90 days | 14,064 | 8,556 |
| | 123,792 | 103,637 |
| Less: Loss allowance | (854) | (2,467) |
| | 122,938 | 101,170 |

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 March 2021, a provision of approximately HK$854,000 (2020: HK$2,467,000) was made against the gross amount of trade receivables.

Movements on the loss allowance of receivables are as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| At the beginning of the year | 2,467 | 2,347 |
| Loss allowance recognised | 852 | 2,465 |
| Unused amount reversed | (2,465) | (2,345) |
| At the end of the year | 854 | 2,467 |

## 20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Deposits | 6,648 | 5,362 |
| Prepayments | 11,707 | 16,927 |
| Other receivables | 299 | 779 |
| | 18,654 | 23,068 |

## 21 AMOUNT DUE FROM A RELATED COMPANY

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Amount due from a related company** | | |
| Dynamic Victor Limited *(Note (i))* | **35** | 35 |

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Maximum outstanding balance during the year** | | |
| Dynamic Victor Limited | **35** | 35 |

*Notes:*

(i) Mr. Alex Law and Mr. Simon Law 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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Cash at banks *(Note a)* | **101,073** | 79,396 |
| Cash on hand | **787** | 890 |
| Time deposits | **3,012** | 13,011 |
| | **104,872** | 93,297 |
| Less: Pledged deposit *(Note b)* | **(3,012)** | (3,011) |
| Cash and bank balances | **101,860** | 90,286 |

*Notes:*

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

(b) As at 31 March 2021 and 2020, the pledged deposit was placed to secure the Group's outstanding bank borrowings disclosed in Note 25 below.

## 23 SHARE CAPITAL

| | Number of ordinary shares | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| **Authorised:** | | |
| At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021 | 2,000,000,000 | 20,000 |
| **Issued and fully paid:** | | |
| At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021 | 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 2021 (2020: Nil).

## 25 BORROWINGS

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| **Current** | | |
| Bank borrowings | **2,399** | 15,513 |

### 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:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Within 1 year | **2,399** | 13,115 |
| Between 1 and 2 years | **–** | 2,398 |
| | **2,399** | 15,513 |

## 25 BORROWINGS (CONTINUED)

### Bank borrowings (continued)

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

As at 31 March 2021, the undrawn banking facilities amounted to approximately HK$14,314,000 (2020: HK$4,957,000).

These banking facilities are secured/guaranteed by:

(i) Certain properties held by Mr. Alex Law and Mr. Simon Law as at 31 March 2021 and 2020; and

(ii) Certain cash deposits of the Group of approximately HK$3,012,000 (2020: HK$3,011,000) as at 31 March 2021.

The interest rates per annum of borrowings are as follows:

| | **2021** | 2020 |
|---|---|---|
| Bank borrowings | **2.10% to 3.75%** | 2.10% to 3.75% |

## 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 1 April 2019, 31 March 2020 and 1 April 2020 | 947 | (387) | 560 |
| (Credited)/charged to profit or loss *(Note 11)* | (43) | 246 | 203 |
| At 31 March 2021 | **904** | **(141)** | **763** |

As at 31 March 2021, the Group has unused tax losses of Nil (2020: approximately HK$7,327,000), 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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Trade payables | **12,520** | 9,105 |
| Accruals and other payables | **16,849** | 20,896 |
| Provision for reinstatement cost | **1,141** | 689 |
| Deposits received | **3,350** | 2,750 |
| | **33,860** | 33,440 |

## 27 TRADE AND OTHER PAYABLES (CONTINUED)

At 31 March, the ageing analysis of trade payables based on the invoice date are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 30 days | **10,456** | 6,972 |
| 31 – 60 days | **2,064** | 2,133 |
| | **12,520** | 9,105 |

As at 31 March 2021, included in trade payables was approximately HK$1,535,000 and HK$144,000 (2020: HK$672,000 and HK$117,000) payable to related companies, Gobo Trade Limited and Hung Kee Vehicle Engineering Limited (formerly known as Hung Kee Body Building Factory Limited), respectively.

All trade and other payables are denominated in HK$.

## 28 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Cash generated from operations

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit/(loss) before tax | **42,159** | (8,852) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **8,098** | 6,936 |
| Depreciation of right-of-use assets | **37,390** | 31,760 |
| (Gain)/loss on disposal of property, plant and equipment | **(593)** | 242 |
| Gain on derecognition of right-of-use assets and lease liabilities | **–** | (2) |
| (Reversal of)/provision for loss allowance of trade receivables, net | **(1,613)** | 120 |
| Interest income | **(233)** | (1,113) |
| Interest expense | **5,499** | 7,150 |
| Operating cash flows before working capital changes | **90,707** | 36,241 |
| Changes in working capital: | | |
| Trade receivables | **(20,155)** | (716) |
| Other receivables, deposits and prepayments | **4,414** | (2,882) |
| Trade payables | **3,415** | (22) |
| Accruals and other payables | **(3,447)** | 3,446 |
| Cash generated from operations | **74,934** | 36,067 |

## 28 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

| | Bank borrowings HK$'000 | Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|
| As at 1 April 2019 | 11,271 | 91,013 | 102,284 |
| Non-cash changes | | | |
| New leases | – | 19,631 | 19,631 |
| Derecognition of leases | – | (242) | (242) |
| Interest on lease liabilities | – | 6,842 | 6,842 |
| Cash flows | 4,242 | (35,379) | (31,137) |
| As at 31 March 2020 | 15,513 | 81,865 | 97,378 |
| Non-cash changes | | | |
| New leases | – | 6,271 | 6,271 |
| Interest on lease liabilities | – | 5,368 | 5,368 |
| Cash flows | (13,114) | (41,860) | (54,974) |
| **As at 31 March 2021** | **2,399** | **51,644** | **54,043** |

## 29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

### (a) Names and relationship with related parties

The following individuals and companies were related parties that had transactions or balances with the Group as at and during the year:

| Name of related parties | Relationship with the Group |
|---|---|
| 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 Vehicle Engineering Limited (formerly known as Hung Kee Body Building Factory Limited) ("**Hung Kee**") | Mr. Alex Law and Mr. Simon Law have joint control |

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties

| Name of related party | Nature of transactions | *Notes* | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|---|---|
| Mr. Alex Law and Mr. Simon Law | Office premises rental | *(ii)* | **360** | 360 |
| Gobo Trade Limited | Management fee income | | **1,151** | 1,553 |
| | Revenue from logistics services | | **1,049** | 922 |
| | Purchases of office supplies | | **1,163** | 977 |
| | Purchases of packaging materials | *(i)* | **9,270** | 5,472 |
| | Purchases of property, plant and equipment | | **1,442** | – |
| Hung Kee | Vehicle repair and maintenance expenses | *(ii)* | **1,453** | 1,565 |
| | Purchases of property, plant and equipment | | **380** | – |

*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.

### (c) Balances with related parties

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

### (d) Key management compensation

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

## 30 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.

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

### (a) Statement of financial position of the Company

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | 76,185 | 76,185 |
| **Current assets** | | | |
| Amounts due from a subsidiary | | 86,252 | 56,612 |
| Cash and bank balances | | 52,197 | 51,976 |
| | | 138,449 | 108,588 |
| **Total assets** | | 214,634 | 184,773 |
| **EQUITY** | | | |
| Share capital | | 10,000 | 10,000 |
| Reserves | *31(b)* | 204,604 | 174,743 |
| **Total equity** | | 214,604 | 184,743 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accruals | | 30 | 30 |
| **Total liabilities** | | 30 | 30 |
| **Total equity and liabilities** | | 214,634 | 184,773 |

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 18 June 2021 and signed on its behalf by:

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

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

### (b) Reserve movement of the Company

| | Share premium HK$'000 | Other reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| 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 |
| Balance at 1 April 2020 | **98,122** | **76,185** | **436** | **174,743** |
| Profit and total comprehensive income for the year | **–** | **–** | **29,861** | **29,861** |
| **Balance at 31 March 2021** | **98,122** | **76,185** | **30,297** | **204,604** |

***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 | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **408,500** | 418,123 | 447,556 | 474,690 | 430,093 |
| Direct costs | **(349,190)** | (377,241) | (400,829) | (402,128) | (346,845) |
| Gross profit | **59,310** | 40,882 | 46,727 | 72,562 | 83,248 |
| Profit/(loss) before tax | **42,159** | (8,852) | 601 | 17,302 | 41,810 |
| Income tax expense | **(1,637)** | – | (133) | (5,163) | (7,597) |
| Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company | **40,522** | (8,852) | 468 | 12,139 | 34,213 |
| Total assets | **310,123** | 311,246 | 229,878 | 266,463 | 162,255 |
| Total liabilities | **89,733** | 131,378 | 41,158 | 76,824 | 81,876 |