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## **Asia Grocery Distribution Limited**

**亞洲雜貨有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8413)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “Directors”) of Asia Grocery Distribution Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group” or “us” or “we” or “our”) for the year ended 31 March 2018 (the “Reporting Period”), together with the comparative audited figures for the year ended 31 March 2017, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2018*

	<i>Notes</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i>
Revenue	3	<b>194,137</b>	188,298
Cost of sales		<b>(146,150)</b>	(142,270)
<b>Gross profit</b>		<b>47,987</b>	46,028
Other income	4	<b>61</b>	–
Other gain and losses, net	4	<b>(149)</b>	(245)
Selling and distribution expenses		<b>(19,336)</b>	(17,433)
Administrative expenses		<b>(22,610)</b>	(12,932)
Listing expenses		<b>(2,075)</b>	(14,645)
Finance costs	5	<b>(57)</b>	(35)
<b>Profit before taxation</b>	6	<b>3,821</b>	738
Income tax expense	7	<b>(1,427)</b>	(2,562)
<b>Profit/(loss) and total comprehensive income/ (expense) for the year attributable to owners of the Company</b>		<b>2,394</b>	(1,824)
<b>Earnings/(loss) per share</b>			
Basic ( <i>HK cents</i> )	9	<b>0.21</b>	(0.23)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,012</b>	2,669
Finance lease receivable		–	24
Deposits paid for acquisition of property, plant and equipment	<i>11</i>	<b>595</b>	–
Rental and other deposits	<i>11</i>	<b>1,778</b>	1,671
		<u><b>5,385</b></u>	<u>4,364</u>
<b>Current assets</b>			
Inventories – finished goods		<b>28,564</b>	9,797
Finance lease receivable		<b>24</b>	63
Trade receivables	<i>10</i>	<b>20,931</b>	18,550
Other receivables, deposit and prepayments	<i>11</i>	<b>1,458</b>	6,984
Amount due from a director		–	740
Tax recoverable		<b>1,135</b>	–
Bank balances and cash		<b>54,007</b>	15,219
		<u><b>106,119</b></u>	<u>51,353</u>
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>6,687</b>	5,540
Other payables and accrued charges	<i>13</i>	<b>2,402</b>	13,522
Bank borrowing	<i>14</i>	–	2,515
Tax payable		–	643
		<u><b>9,089</b></u>	<u>22,220</u>
<b>Net current assets</b>		<u><b>97,030</b></u>	<u>29,133</u>
<b>Net assets</b>		<u><b>102,415</b></u>	<u>33,497</u>
<b>Capital and reserves</b>			
Share capital	<i>15</i>	<b>11,620</b>	156
Reserves		<b>90,795</b>	33,341
<b>Equity attributable to owners of the Company</b>		<u><b>102,415</b></u>	<u>33,497</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2016 Revision) of the Cayman Islands on 29 September 2016. The shares of the Company (the “Shares”) have been listed on GEM of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 13 April 2017. Its ultimate and immediate holding company is Sky Alpha Investments Limited (“Sky Alpha”), an entity incorporated in the British Virgin Islands (the “BVI”). The address of the Company’s registered office and principal place of business in Hong Kong is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and 4/F., How Ming Factory Building, 99 How Ming Street, Kwun Tong, Hong Kong, respectively.

The Company is an investment holding company. The Group is principally engaged in trading and distribution of food and beverage grocery products in Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### Amendments to HKFRSs That are Mandatorily Effective for the Current Year

The Group has applied the following amendments to HKFRSs and Hong Kong Accounting Standards (“HKASs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As Part of the Annual Improvements to HKFRS 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group’s liabilities arising from financing activities consist of bank borrowing.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the consolidated financial statements, the application of these amendments has had no impact on the Group’s consolidated financial statements.

## Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

## Annual Improvement to HKFRSS 2014-2016 Cycle

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRSs 2014 – 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

## New and Amendments to HKFRSs in Issue but not Yet Effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle <sup>5</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>
HKAS 28 (Amendments)	Investments in Associates and joint ventures <sup>2</sup>
HKAS 40 (Amendments)	Transfer of Investment Property <sup>1</sup>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9, Financial Instruments with HKFRS 4, Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 9 (Amendments)	Prepayments Features with Negative Companies <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 15 (Amendments)	Clarification to HKFRS 15, Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
HKFRS 17	Insurance Contract <sup>6</sup>
HK(IFRIC)-Int 22	Foreign currency Transactions and Advance Considerations <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided HKFRS 15 Revenue from Contracts with Customers also applied.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

<sup>6</sup> Effective for annual periods beginning on or 1 January 2021.

### 3. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from sales of food and grocery products by the Group to external customers, net of discounts and sales returns, and is analysed as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Commodities and cereal products ( <i>Note a</i> )	54,259	54,750
Packaged food ( <i>Note b</i> )	52,743	50,195
Sauce and condiment	42,376	38,614
Dairy products and eggs	24,993	26,823
Beverage and wine	12,337	11,793
Kitchen products ( <i>Note c</i> )	7,429	6,123
	<u>194,137</u>	<u>188,298</u>

*Notes:*

- (a) Commodities and cereal products include rice, wheat flour, noodle products such as ramen and pasta, edible oil as well as sugar and salt.
- (b) Packaged food includes processed products such as meat and vegetables in preserved, canned, frozen and other forms, as well as snacks and pre packaged food items.
- (c) Kitchen products include food wrap and food related products such as cling film, baking sheet, foil, cleaning products such as detergent, bleach, liquid soap and others such as tissue paper, toothpick and towel.

#### **Segment information**

The Group's operation is solely derived from sales of goods in Hong Kong for both years. For the purposes of resources allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) (the "CODM") reviews the overall results and financial position of the Group as a whole which is prepared based on the same accounting policies as set out in note to the consolidated financial statements. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

#### **Geographical information**

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of transactions and the Group's property, plant and equipment amounting to HK\$3,012,000 (2017: HK\$2,669,000) as at 31 March 2018 are all located in Hong Kong by physical location of assets.

For both years, no single customer accounted for 10% or more of the Group's total revenue.

#### 4. OTHER INCOME AND GAIN AND LOSSES, NET

##### Other income

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income	47	–
Sundry income	14	–
	<u>61</u>	<u>–</u>

##### Other gain and losses, net

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Exchange loss	(67)	–
Allowance for bad and doubtful debts	(82)	(245)
	<u>(149)</u>	<u>(245)</u>

#### 5. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interests on bank borrowing	57	35

#### 6. PROFIT BEFORE TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' remuneration	3,905	1,720
Other staff costs		
Salaries and other benefits	9,017	6,683
Retirement benefits scheme contributions	331	271
Total staff costs	<u>13,253</u>	<u>8,674</u>
Depreciation of property, plant and equipment	1,198	1,028
Auditor's remuneration		
– audit service	900	900
Minimum lease payments under operating leases		
in respect of land and buildings	5,849	4,859
Cost of inventories recognised as an expense	<u>146,150</u>	<u>142,270</u>

## 7. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current tax	1,445	2,606
– Overprovision in prior years	(18)	(44)
	<u>1,427</u>	<u>2,562</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

## 8. DIVIDEND

No final dividend has been paid or proposed by the Company since its incorporation. The Board does not recommend the payments of any dividend in respect of the year ended 31 March 2018.

During the year ended 31 March 2017, Hung Fat Ho Holdings Limited (“HFH Holdings”) declared and paid dividends of HK\$700,000, in aggregate, to Mr. Wong Siu Man and Mr. Wong Siu Wa.

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Earnings/(loss):</b>		
Earnings/(loss) for the purpose of calculating basic earnings/ (loss) per share		
– Profit/(loss) for the year attributable to owners of the Company	<u>2,394</u>	<u>(1,824)</u>
	<b>2018</b>	2017
	<b>'000</b>	<b>'000</b>
<b>Number of shares:</b>		
Number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>1,128,926</u>	<u>804,462</u>

For the year ended 31 March 2017, the number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Capitalisation Issue had been effective.

No diluted earnings/(loss) per share for both years were presented as there were no potential ordinary shares in issue for both years.



## 10. TRADE RECEIVABLES

The Group grants credit terms of 0 – 90 days to its customers from the date of invoices. An ageing analysis of the trade receivables is presented based on the invoice date, which approximates the date of delivery of goods, at the end of the reporting periods.

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	<b>12,391</b>	12,345
31 – 60 days	<b>6,842</b>	5,127
61 – 90 days	<b>1,560</b>	932
Over 90 days	<b>138</b>	146
	<u><b>20,931</b></u>	<u>18,550</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 99% (2017: 98%) of trade receivables as at 31 March 2018 that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each client.

The Group has recognised an allowance of bad and doubtful debts of HK\$82,000 (2017: HK\$245,000), during the year ended 31 March 2018, as the directors of the Company considered that credit quality of these debtors are in doubt. The loss has been included in "other gain and losses, net" in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

Movement of provision of trade receivables is as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Impairment losses recognised	<b>82</b>	245
Amounts written off as uncollectible	<b>(82)</b>	(245)
Balance at the end of the year	<u><b>–</b></u>	<u>–</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$82,000 (2017: HK\$245,000) during the year ended 31 March 2018, which credit quality of these debtors are in doubt.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$138,000 (2017: HK\$385,000) which are past due as at 31 March 2018 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables which are past due but not impaired:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 90 days	138	239
Over 90 days	–	146
	<u>138</u>	<u>385</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the directors of the Company believe that no further impairment is required.

#### 11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Rental and utilities deposits	1,798	1,679
Prepayments to suppliers	1,017	579
Other prepayments	308	562
Prepaid rental expenses	7	1,015
Deferred listing expenses	–	4,818
Deposits paid for acquisition of property, plant and equipment	595	–
Other receivables	106	2
	<u>3,831</u>	<u>8,655</u>
Presented as non-current assets	2,373	1,671
Presented as current assets	1,458	6,984
	<u>3,831</u>	<u>8,655</u>

#### 12. TRADE PAYABLES

The average credit period for purchases of goods is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	6,351	5,537
31 – 60 days	336	3
	<u>6,687</u>	<u>5,540</u>

### 13. OTHER PAYABLES AND ACCRUED CHARGES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Accrued listing expenses	–	10,924
Accrued charges	954	1,421
Salaries and bonus payables	1,252	1,022
Other payables	196	155
	<u>2,402</u>	<u>13,522</u>

### 14. BANK BORROWING

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The carrying amount of bank loan that contains a repayment on demand clause (shown under current liabilities) but repayable:		
– within one year	–	981
– within a period of more than one year but not exceeding two years	–	1,534
	<u>–</u>	<u>2,515</u>

As at 31 March 2017, the unsecured bank borrowing carries interest rate of Hong Kong Prime Rate minus 1.25% per annum and is guaranteed by Mr. Wong Siu Man and Mr. Wong Siu Wa (the “Personal Guarantee”). The Personal Guarantee was subsequently released before the listing of shares of the Company and the bank borrowing was early repaid in December 2017.

## 15. SHARE CAPITAL

The share capital of the Group as at 31 March 2018 represented the share capital of the Company and details are disclosed as follows:

	Number of shares	HK\$'000
Authorised:		
At 29 September 2016 (date of incorporation) with par value of US\$1 each ( <i>note a</i> )	50,000	390
Increase of authorised share capital with par HK\$0.01 each on 27 March 2017 ( <i>note c</i> )	39,000,000	390
Cancellation of authorised share capital with par value of US\$1 each ( <i>note c</i> )	(50,000)	(390)
Increase of authorised share capital with par value of HK\$0.01 each ( <i>note d</i> )	1,961,000,000	19,610
	<u>2,000,000,000</u>	<u>20,000</u>
At 31 March 2017, 1 April 2017 and 31 March 2018		
	<u>2,000,000,000</u>	<u>20,000</u>
Issue and fully paid:		
At 29 September 2016 (date of incorporation) with par value of US\$1 each ( <i>note a</i> )	1	–
Issue of shares with par value of US\$1 each upon reorganisation ( <i>note b</i> )	19,999	156
Repurchase of shares with par value of US\$1 each ( <i>note c</i> )	(20,000)	(156)
Issue of shares with par value of HK\$0.01 each ( <i>note c</i> )	15,600,000	156
	<u>15,600,000</u>	<u>156</u>
At 31 March 2017 and 1 April 2017	15,600,000	156
Placing and public offer of shares upon the listing ( <i>note f</i> )	280,000,000	2,800
Issue of shares upon exercise of over-allocation Option for public offer and placing ( <i>note f</i> )	42,000,000	420
Capitalisation Issue ( <i>note e</i> )	824,400,000	8,244
	<u>824,400,000</u>	<u>8,244</u>
At 31 March 2018	<u>1,162,000,000</u>	<u>11,620</u>

### Notes:

- (a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 29 September 2016, one share was allotted and issued.
- (b) On 30 September 2016, in consideration of Sky Alpha and Trillion Advance Investments Limited (“Trillion Advance”)’s transfer of their respective shareholding interest in HFH Holdings to the Company, the Company allotted and issued 18,399 shares and 1,600 shares to Sky Alpha and Trillion Advance respectively.

- (c) Pursuant to the resolutions passed at the extraordinary general meeting held on 27 March 2017 (the “EGM”), the authorised share capital of the Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to the aggregate of (i) US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each and (ii) HK\$390,000 divided into 39,000,000 shares of a par value of HK\$0.01 each, by the creation of an additional 39,000,000 shares with a par or nominal value of HK\$0.01 each (“Variation of Capital”) on 27 March 2017.

Upon the Variation of Capital becoming effective, the Company issued 14,352,000 shares of a par value of HK\$0.01 each to Sky Alpha and 1,248,000 shares of a par value of HK\$0.01 each to Trillion Advance, immediately after which the Company then repurchased 18,400 shares of the Company of a par value of US\$1.00 from Sky Alpha and 1,600 shares of the Company of a par value of US\$1.00 from Trillion Advance respectively. Immediately after the repurchase of the US\$ denominated shares being effected, the authorised share capital of the Company was reduced by the cancellation of 50,000 shares of a par value of US\$1.00 each, such that the authorised share capital of the Company became HK\$390,000 divided into 39,000,000 shares of a par value of HK\$0.01 each.

- (d) Pursuant to the resolutions passed at the EGM, the authorised share capital of the Company was increased to HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 1,961,000,000 shares.
- (e) Pursuant to the resolutions passed at the EGM, the Directors are authorised to capitalise an amount of HK\$8,244,000 standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of 824,400,000 shares for allotment and issue to Sky Alpha and Trillion Advance immediately prior to the Listing (the “Capitalisation Issue”). The Capitalisation Issue was completed on 13 April 2017.
- (f) In connection with the listing of the Shares on the GEM of the Stock Exchange (the “Listing”) on 13 April 2017 (the “Listing Date”), the Company allotted and issued a total of 322,000,000 new shares at HK\$0.23 per share for the total proceeds of approximately HK\$74,060,000, with related issuance costs and listing expenses amounted to approximately HK\$7,536,000 being charged to share premium.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is an established food and beverage grocery distributor in Hong Kong with over 40 years of experience in the food and beverage grocery distribution industry. The Group's customers include restaurants, non commercial dining establishments, hotels and private clubs, food processing operators and wholesalers in Hong Kong. The Group also offers product sourcing, repackaging, quality assurance, warehousing and storage, transportation as well as other value added services to provide one stop food and beverage grocery distribution solutions to the customers. The Group's product portfolio ranges from food commodities, specialty food ingredients to kitchen products which can be broadly categorised into (i) commodities and cereal products; (ii) packaged food; (iii) sauce and condiment; (iv) dairy products and eggs; (v) beverage and wine; and (vi) kitchen products.

On 13 April 2017, the Shares were successfully listed on the GEM of the Stock Exchange when 322,000,000 shares were allotted and issued at HK\$0.23 each. The Group's business model, revenue structure and cost structure basically remain unchanged after the Listing. Based on the audited financial information of our Group, we continued to record growth in our revenue and gross profit for the year ended 31 March 2018 as compared to the year ended 31 March 2017. The Listing enhances the Group's market position and further strengthens the Group's reputation in the industry, which in turn helps maintaining the existing business relationship with the network of suppliers and customers and exploring potential business opportunities with new suppliers and customers.

### FINANCIAL REVIEW

#### Revenue

The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2018 and 2017:

	<b>2018</b>	2017	
	<b>HK\$'000</b>	HK\$'000	Change %
Commodities and cereal products	<b>54,259</b>	54,750	-0.9%
Packaged food	<b>52,743</b>	50,195	5.1%
Sauce and condiment	<b>42,376</b>	38,614	9.7%
Dairy products and eggs	<b>24,993</b>	26,823	-6.8%
Beverage and wine	<b>12,337</b>	11,793	4.6%
Kitchen products	<b>7,429</b>	6,123	21.3%
	<b>194,137</b>	188,298	3.1%

Our revenue generated from different types of product contributed were rather stable for the years ended 31 March 2018 and 2017. During the years ended 31 March 2018 and 2017, commodities and cereal products, packaged food, sauce and condiment, and dairy products and eggs were the major food and beverage grocery categories sold by us, in aggregate, accounting for approximately 89.8% and 90.5% respectively, of our total revenue.

Revenue generated from sales of commodities and cereal products, being our largest contributing product types, for the years ended 31 March 2018 and 2017 accounted for approximately 27.9% and 29.1% of our total revenue respectively. Sales of commodities and cereal products remained relatively stable for the year ended 31 March 2018 as compared to the previous year.

Our sales of packaged food increased by approximately 5.1% for the year ended 31 March 2018 as compared to the previous year mainly as a result of increased demand from customers.

Our sales of sauce and condiment increased by approximately 9.7% for the year ended 31 March 2018 as compared to the previous year mainly as a result of increased orders received for our higher-priced products such as Ve-Tsin gourmet powder.

Our sales of dairy products and eggs decreased by approximately 6.8% for the year ended 31 March 2018 as compared to the previous year mainly due to the loss of a key customer who bought cheese from us for years.

Our sales of beverage and wine increased by 4.6% for the year ended 31 March 2018 as compared to the previous year mainly due to increase in orders received for steady growth of existing products.

Our sales of kitchen products increased by 21.3% for the year ended 31 March 2018 as compared to the previous year mainly due to new products introduced and more promotion done for our high-quality kitchen products.

### **Cost of sales**

Our cost of sales solely represented cost of inventories sold, which represented the cost of finished goods purchased by us from suppliers. Our cost of sales represents the costs of products, net of discounts and rebates, charged by our suppliers. Our cost of sales increased by approximately HK\$3,880,000 or approximately 2.7% to approximately HK\$146,150,000 for the year ended 31 March 2018 as compared to approximately HK\$142,270,000 for the year ended 31 March 2017 was due to increased sales volumes, offset by cost efficiencies in cost of finished goods purchased from direct manufacturers and end suppliers.

### **Gross profit and gross profit margin**

The Group's gross profit increased by approximately 4.3% from approximately HK\$46,028,000 for the year ended 31 March 2017 to approximately HK\$47,987,000 for the year ended 31 March 2018. The increase in gross profit was due to our enlarged customer base to high end customers and lower cost of goods purchased from direct suppliers. For the year ended 31 March 2018, the Group's gross profit margin increased to 24.7% as compared with previous year at 24.4%.

## **Other income**

Other income consisted of interest income and sundry income for the year ended 31 March 2018.

## **Other gain and losses, net**

Other losses amounted to approximately HK\$149,000 for the year ended 31 March 2018 (year ended 31 March 2017: approximately HK\$245,000) represented the net exchange loss of approximately HK\$67,000 (year ended 31 March 2017: nil) and the allowance for bad and doubtful debts of approximately HK\$82,000 (year ended 31 March 2017: approximately HK\$245,000).

## **Selling and distribution expenses**

Our selling and distribution expenses mainly comprised transportation expenses, commission expenses to sales person based on a certain percentage of the gross profit on successful sales, staff costs for our sales team, advertising and marketing expenses. The increase of selling and distribution expenses of the Group matched with the revenue increment and were mainly due to increase in commission expense and bonus to sales persons. The selling and distribution expenses accounted for approximately 10.0% and 9.3% of the total revenue for the years ended 31 March 2018 and 2017 respectively.

## **Administrative expenses**

For the year ended 31 March 2018, the Group's administrative expenses primarily comprised legal and professional fees, rent, rates and management fee for office and warehouses, staff costs for administrative and management personnel, directors' remuneration, depreciation and insurance. Administrative expenses increased from approximately HK\$12,932,000 for the year ended 31 March 2017 to approximately HK\$22,610,000 for the year ended 31 March 2018. The increase of administrative expenses of the Group was mainly due to increase in legal and professional fees to cope with the needs of compliance work as a result of the listing status, hiring of management personnel and new rental of warehouse.

## **Listing expenses**

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately HK\$2,075,000 for the year ended 31 March 2018 (year ended 31 March 2017: approximately HK\$14,645,000).

## **Finance costs**

Finance costs for the year ended 31 March 2018 and 2017 represented interest expenses on a bank borrowing drawn in November 2016. The bank borrowing was early repaid in December 2017. The unsecured bank borrowing carried interest rate of Hong Kong Prime Rate minus 1.25% per annum in both years.



## **Income tax expense**

For the years ended 31 March 2018 and 2017, our income tax expense were approximately HK\$1,427,000 and HK\$2,562,000, respectively, and our effective tax rate (excluding the non recurring listing expenses) for the same period was approximately 24.2% and 16.7%, respectively.

## **Profit/(Loss) and total comprehensive income/(expense) attributable to owners of the Company**

For the year ended 31 March 2018, the Group's profit and total comprehensive income attributable to owners of the Company was approximately HK\$2,394,000 (loss and total comprehensive expense attributable to owners of the Company for the year ended 31 March 2017: approximately HK\$1,824,000). The increase of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the increase in revenue and decrease in listing expenses, offset by increased staff costs and legal and professional fees.

## **Dividend**

No dividend was paid, declared or proposed during the year. The Directors do not recommend the payment of any dividend for the year ended 31 March 2018.

During the year ended 31 March 2017, HFH Holdings declared and paid dividend of HK\$700,000, in aggregate, to Mr. Wong Siu Man and Mr. Wong Siu Wa.

## **Trade and other receivables**

Trade receivables increased by 12.8% from approximately HK\$18,550,000 as at 31 March 2017 to approximately HK\$20,931,000 as at 31 March 2018. The increase was in line with the revenue increment.

Other receivables decreased by HK\$5,526,000 from approximately HK\$6,984,000 as at 31 March 2017 to approximately HK\$1,458,000 as at 31 March 2018. The decrease was mainly due to the decrease in deferred listing expenses.

## **Trade and other payables**

Trade payables increased by 20.7% from approximately HK\$5,540,000 as at 31 March 2017 to approximately HK\$6,687,000 as at 31 March 2018. The increase was mainly due to the increased purchase near period end to cope with the increase in sales demand.

Other payables decreased by HK\$11,120,000 from approximately HK\$13,522,000 as at 31 March 2017 to approximately HK\$2,402,000 as at 31 March 2018. The decrease was mainly due to the reduction of accrued listing expenses.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2018, the Group's working capital was financed by both internal resources and bank borrowing. The quick ratio of the Group was approximately 8.5 times (31 March 2017: 1.9 times). Increase of quick ratio was mainly due to the increase in bank balances and cash of approximately HK\$38,788,000 from approximately HK\$15,219,000 as at 31 March 2017 to approximately HK\$54,007,000 as at 31 March 2018. Upon the Listing, the Group obtained net proceeds (after deducting the underwriting fee and related expenses) of approximately HK\$48,500,000. The Group generally financed its daily operations from internally generated cash flows. The Group financed its business expansion and new business opportunities from the net proceeds. The remaining unused net proceeds as at 31 March 2018 were placed as interest bearing deposits with licensed bank in Hong Kong.

## **CAPITAL STRUCTURE**

The Shares were successfully listed on the GEM of the Stock Exchange on 13 April 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 31 March 2018, the Company's issued share capital was HK\$11,620,000 and the number of its issued ordinary shares was 1,162,000,000 of HK\$0.01 each.

## **FOREIGN EXCHANGE EXPOSURE RISKS**

Our exposures to currency risk arise from its sales to and purchases from overseas, which are primarily denominated in United States Dollars and Euro. These are not the functional currencies of our entities to which these transactions relate. We currently do not have a group foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **FINANCIAL POLICIES**

The Group is exposed to liquidity risk in respect of settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

## **GEARING RATIO**

The total interest-bearing borrowing of the Group as at 31 March 2018 was nil (31 March 2017: approximately HK\$2,515,000). The Group's gearing ratio as at 31 March 2018 was nil (31 March 2017: approximately 7.5%), which is calculated as the Group's total borrowing over the Group's total equity. The decrease in gearing ratio was mainly due to the repayment of bank borrowing.

## **CAPITAL EXPENDITURE**

During the year ended 31 March 2018, the Group invested approximately HK\$1,541,000 in property, plant and equipment, mainly represented motor vehicle and furniture and fixtures for our rented new warehouse located in Kwun Tong.

## **CAPITAL COMMITMENTS**

As at 31 March 2018, the Group had no significant capital commitments.

## **CHARGES ON THE GROUP'S ASSETS**

There were no charges on the Group's assets for the year ended 31 March 2018.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the year ended 31 March 2018, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the Prospectus, the Group did not have other future plan for material investments or capital assets.

## **CONTINGENT LIABILITIES**

As at 31 March 2018, the Group did not have any significant contingent liabilities (31 March 2017: nil).

## **INFORMATION ON EMPLOYEES**

As at 31 March 2018, the Group employed 35 employees (31 March 2017: 33 employees) with total staff cost of approximately HK\$13,253,000 incurred for the year ended 31 March 2018 (for the year ended 31 March 2017: HK\$8,674,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

## USE OF PROCEEDS AND ACTUAL PROGRESS OF THE GROUP'S BUSINESS OBJECTIVES

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) which amounted to approximately HK\$48,500,000 will be used for the intended purposes as set out in the section headed "Statement of Business Objectives and Use of Proceeds" of the Prospectus. Set out below is the actual utilisation of net proceeds up to the date of this announcement:

	Net proceeds <i>HK\$'000</i>	Utilised <i>HK\$'000</i>	Unutilised <i>HK\$'000</i>
Leasing of warehouse facility in New Territories & Hong Kong Island:			
– Rental deposits	1,170	–	1,170
– Rental payments	6,455	–	6,455
– Renovation costs	6,000	–	6,000
– Start-up costs for warehouse facility	9,775	–	9,775
Upgrade of Enterprise Resource Planning ("ERP") system	12,560	(2,061)	10,499
Conducting sales and marketing activities	5,540	(366)	5,174
Installation of new repackaging equipment	3,500	(237)	3,263
General working capital	3,500	(2,625)	875
	<u>48,500</u>	<u>(5,289)</u>	<u>43,211</u>

Looking forward, the Group will further enhance the capabilities of offering a wide spectrum of products for customers and continue to exercise careful cost controls to withstand the keen competition in the food and beverage grocery distribution industry.

As disclosed in the Prospectus, the Group's principal business objectives are to strengthen its position in the food and beverage grocery distribution industry and further expand its business operations with a view to creating long-term Shareholders' value. The Directors intend to achieve the objectives by (a) increasing warehouse facilities strategically located in certain districts of Hong Kong in proximity to the Group's customers; (b) upgrading the ERP system to enhance the Group's operation efficiency; (c) further penetrating the food and beverage grocery distribution market through sales and marketing activities and the Group's quality value-added services; and (d) attracting and retaining quality personnel.

In light of the rise in number of customers and purchase orders, the Group had planned to lease two warehouse facilities, one in the New Territories in the first year after the Listing and another on the Hong Kong Island in the second year after the Listing, respectively, for accommodating the increased inventory level. The Group has not yet identified suitable premises for the warehouse facilities in the New Territories. The Group expects the leasing will be delayed till the second half of 2018.

The Group had planned to use approximately HK\$12,560,000 of the net proceeds to upgrade the ERP system, which is used to monitor the inventory level and minimise incidences of overstocking, so as to enhance the operational efficiency of the Group. As at 31 March 2018, the Group selected a new ERP software for implementation and a total of approximately HK\$2,061,000 was spent on consultancy services and software and hardware acquisition.

The Group had planned to use approximately HK\$5,540,000 of the net proceeds to conduct sales and marketing activities to attract more customers and strengthen customer loyalty so as to further penetrate the food and beverage grocery distribution market. As at 31 March 2018, a total of approximately HK\$366,000 was spent on participating in domestic food exhibition and sales exhibition to showcase our products to potential buyers. The Group is currently recruiting new sales person and marketing staff for upcoming new sales campaign.

The Group had planned to use approximately HK\$3,500,000 to purchase new repackaging equipment to further automate the repackaging process and increase efficiency. As at 31 March 2018, a total of approximately HK\$237,000 was spent on purchasing new automatic repackaging machines. The Group will continue to install more repackaging equipment and develop packaging design.

With the Group's proven track record, plus its experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors. The Directors will also continue to explore opportunities to diversify the Group's operation so that the customer base could be strengthened and diversified. The Directors will continue to review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties. The Directors believe that the Group will continue to expand to become one of the leading food and beverage grocery distributors in Hong Kong.

## **OTHER INFORMATION**

### **Corporate governance practices**

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles and code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules. As the Shares were listed on the GEM of the Stock Exchange on 13 April 2017 (the "Listing Date") (i.e. after the financial year ended 31 March 2017), the Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this announcement (the "Relevant Period") to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code during the Relevant Period.

## **Audit Committee**

The Group has established an audit committee of the Directors (the “Audit Committee”) pursuant to a resolution of the Directors passed on 27 March 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code.

The primary duties of the Audit Committee include (i) review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings; (ii) review and discussion of the risk management and internal control system of the Group; (iii) discussion and recommendation of the re-appointment of external auditor; and (iv) review of the Company’s continuing connected transactions for the year ended 31 March 2018 pursuant to the GEM Listing Rules.

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. To Yan Ming Edmond, Mr. Chau Shing Yim David and Mr. Wong Garrick Jorge Kar Ho and the chairman is Mr. Chau Shing Yim David, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The audited consolidated financial statements of the Group for the year ended 31 March 2018 had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

## **Event after the reporting period**

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2018 and up to the date of this announcement.

## **Directors’ securities transactions**

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code during the Relevant Period.

In addition, the Company has also adopted provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company. Such relevant employees did and would abide by the provisions of the Model Code. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (the “Inside Information Policy”).

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company during the Relevant Period.

## **Purchase, sales or redemption of the Company’s listed securities**

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the Relevant Period.

## **Scope of work of Messrs. HLB Hodgson Impey Cheng Limited**

The figures in respect of the Group's consolidated statement of the financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2018. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. HLB Hodgson Impey Cheng Limited on this preliminary announcement.

## **Interest of the compliance adviser**

As notified by LY Capital Limited ("LY"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and LY dated 3 November 2016 in connection with the Listing, none of LY or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 March 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **Annual general meeting**

The annual general meeting ("AGM") for the financial year 2018 of the Company is scheduled to be held on Friday, 24 August 2018 and a notice convening the AGM will be published and despatched in due course.

## **Closure of register of members**

The register of members of the Company will be closed from Tuesday, 21 August 2018 to Friday, 24 August 2018, both days inclusive, for the purposes of determining the entitlements of the shareholders to attend and vote at the AGM. During this closure period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Monday, 20 August 2018.

## **Publication of the 2018 annual report on the websites of the Stock Exchange and the Company**

Pursuant to the requirements of the GEM Listing Rules, the 2018 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the GEM website at [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.agdl.com.hk](http://www.agdl.com.hk) on or before 30 June 2018.

By order of the Board  
**Asia Grocery Distribution Limited**  
**Wong Siu Man**  
*Chairman and executive Director*

Hong Kong, 28 June 2018

*As at the date of this announcement, the executive Directors are Mr. Wong Siu Man (Chairman), Mr. Wong Siu Wa (Chief Executive Officer) and Mr. Yip Kam Cheong (Compliance Officer), the non-executive Director is Mr. Wong Chun Hung Hanson and the independent non-executive Directors are Mr. To Yan Ming Edmond, Mr. Chau Shing Yim David and Mr. Wong Garrick Jorge Kar Ho.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its posting and on the Company's website at [www.agdl.com.hk](http://www.agdl.com.hk).*