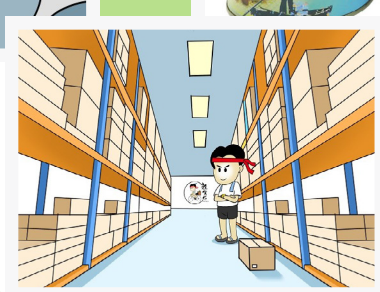
Asia Grocery Distribution Limited
亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8413

ANNUAL REPORT
2018



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “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.

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This report, 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 (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 report 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 report misleading.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Siu Man *(Chairman)*
Mr. Wong Siu Wa *(Chief Executive Officer)*
Mr. Yip Kam Cheong *(Compliance Officer)*

Non-executive Director

Mr. Wong Chun Hung Hanson

Independent non-executive Directors

Mr. To Yan Ming Edmond
Mr. Chau Shing Yim David
Mr. Wong Garrick Jorge Kar Ho

AUDIT COMMITTEE

Mr. Chau Shing Yim David *(Chairman)*
Mr. To Yan Ming Edmond
Mr. Wong Garrick Jorge Kar Ho

REMUNERATION COMMITTEE

Mr. To Yan Ming Edmond *(Chairman)*
Mr. Chau Shing Yim David
Mr. Wong Garrick Jorge Kar Ho

NOMINATION COMMITTEE

Mr. Wong Garrick Jorge Kar Ho *(Chairman)*
Mr. Chau Shing Yim David
Mr. To Yan Ming Edmond

COMPLIANCE OFFICER

Mr. Yip Kam Cheong

COMPANY SECRETARY

Ms. Wong Man Shan Joyce

AUTHORISED REPRESENTATIVES

Mr. Wong Siu Man
Ms. Wong Man Shan Joyce

REGISTERED OFFICE

PO Box 309,
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4/F., How Ming Factory Building
99 How Ming Street, Kwun Tong
Kowloon, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central
Hong Kong

COMPLIANCE ADVISER

LY Capital Limited
Rooms 1901-02
China Insurance Group Building
141 Des Voeux Road, Central
Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY'S WEBSITE

www.agdl.com.hk

STOCK CODE

8413

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Asia Grocery Distribution Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018 (the "Reporting Period").

The Group has been engaged in the food and beverage grocery distribution business under the authentic and original "Hung Fat Ho" brand in Hong Kong for over 40 years, witnessing change of the society and the market. Years of experience also contributed to the business achievements of the Group. The Group supplied over 300 brands of products originated from different areas, with customers covering restaurants, non-commercial dining establishments, hotels and private clubs, food processing operators and wholesalers in Hong Kong.

According to the Government Census and Statistics Department, in March 2018, the total retail sales value was temporarily estimated to be HK$39.8 billion, representing a year-on-year increase of 11.4%. Without taking into account the effect of price change, the total sales volume of goods increased by 10%. Despite that the growth of the retail market stimulated customers' demand for the goods of the Group, the soaring operating costs in various business sectors were not expected to slow down, especially the labor cost and rentals. In terms of labor costs of all main industry sectors researched by the Government Census and Statistics Department, the nominal average salary index for employees in the fourth quarter of 2017 increased by 4.2% year-on-year. The Group expects that 2018/2019 is still a challenging year.

Leveraging on strong relationships with suppliers and producers, the familiarity with the market as well as long established reputation and reliable performance, the Group was able to differentiate ourselves from our competitors in the fiercely competitive market. In addition, experienced team placed the Group in a position to adjust product portfolio to maintain its industry competitiveness by quickly responding to the change of customer's preference and catering to such preference. During the Reporting Period, the Group invested more resources in sales and marketing activities, including participating in local food exhibitions and trade shows, to showcase its products to potential buyers. Meanwhile, the Group is expanding the marketing team to enhance the communication with customers and further increase its market share.

The Group is committed to innovation and advancement. In the future, the Group will continue to develop its advantage for survival in the ever-changing food market. In order to provide efficient one-stop services, the Group gives full play to its advantage in offering product sourcing, repackaging, quality assurance, warehousing and storage, transportation as well as other value-added services to provide efficient one-stop food and beverage grocery distribution solutions to customers.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the longstanding support of all our shareholders, suppliers, customers and business partners, as well as all staff for their continuous efforts. In the future, the Group will continue to expand and develop business, create better prospect and bring more satisfactory returns to the shareholders.

Wong Siu Man
Chairman and Executive Director

Hong Kong, 28 June 2018

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Siu Man (黃少文), aged 45, was appointed as an executive Director with effect from 29 September 2016. Mr. Wong Siu Man also acts as the chairman of our Board and is also one of our Controlling Shareholders (as defined in the section headed "Directors' Report" on page 16 to 27 of this annual report). Mr. Wong Siu Man is primarily responsible for the overall management, business direction and development strategies of our Group. Mr. Wong Siu Man has been responsible for the business development, sales and marketing and administrative departments of Hung Fat Ho Food Limited ("HFH Food") since its incorporation in 2005. Mr. Wong Siu Man has also been responsible for managing business development and sales of Ongo Food Limited ("Ongo Food") since July 2011. Mr.Wong Siu Man has been playing an important role in the establishment of our Group's distribution channels and relationships with key customers. Mr. Wong Siu Man is the younger brother of Mr. Wong Siu Wa.

Mr. Wong Siu Wa (黃少華), aged 49, was appointed as an executive Director with effect from 29 September 2016. Mr. Wong Siu Wa is also our Chief Executive Officer and one of our Controlling Shareholders. Mr. Wong Siu Wa is primarily responsible for the overall management, business direction and development strategies of our Group. Mr. Wong Siu Wa has been responsible for the procurement department of HFH Food since its incorporation in 2005 and has been playing an important role in developing relationships with our key suppliers through his work in heading the procurement department of HFH Food. Mr. Wong Siu Wa is the elder brother of Mr. Wong Siu Man.

Mr. Yip Kam Cheong (葉錦昌) ("**Mr. Jeremy Yip**"), aged 43, was appointed as an executive Director with effect from 29 September 2016, and as our Compliance Officer on 28 October 2016. Mr. Jeremy Yip has joined our Group as a senior sales manager since 2011. Mr. Jeremy Yip is primarily responsible for overseeing the sales department of our Group. Mr. Jeremy Yip has over 10 years of industry experience in the food and beverage industry. Mr. Jeremy Yip previously worked as an assistant sales manager at Wing Sang Cheong Limited between July 2009 and August 2011 mainly responsible for sales and client management, a company primarily engaged in the supply of food products.

NON-EXECUTIVE DIRECTOR

Mr. Wong Chun Hung Hanson (黃俊雄) ("**Mr. Hanson Wong**"), aged 44, was appointed as a non-executive Director with effect from 29 September 2016. Mr. Hanson Wong is primarily responsible for advising on strategy, performance and resources of our Group. Mr. Hanson Wong has over 15 years of industry experience in the finance industry. Mr. Hanson Wong is currently an executive director of Future Land Resources Capital Investment Management Limited since 1 January 2015, which mainly engaged in managing a portfolio of companies that carry on business or dealing in securities, futures contracts and asset management. Mr. Hanson Wong previously served as a sales manager at CSC Securities (HK) Limited whose business includes dealing in futures contracts from May 2001 to February 2010, acted as the chief operation officer at New Trend Futures Limited whose business includes dealing in futures contracts from March 2010 to December 2011, as a director from March 2010 to November 2013 at Well Smart Asia Investment Limited, as a futures broker from December 2011 to September 2013 at Stockwell Commodities Limited whose business includes dealing in futures contracts and as a director of SFG Management Limited from May 2012 to March 2015. Mr. Hanson Wong was appointed as the charter committee member (創會理事) of the Happy Hong Kong Charity Foundation from May 2015 to May 2018, as the chairman of the Kowloon City District of Scout Association of Hong Kong from July 2015 to June 2016, as a committee member (常務理事) of the Shamshuipo Kaifong Welfare Advancement Association in January 2015, as the assistant commissioner (Ag.) (署理助理總監) of the Hong Kong Road Safety Patrol from January 2016 to March 2017,

Biographical Details of Directors and Senior Management

as the chairman of the Hong Kong Precious Metals Traders Association Limited since May 2014 and as the vice president of Association of International Certified Financial Consultants since October 2016. Mr. Hanson Wong completed his secondary school education at Munsang College in July 1990. Mr. Hanson Wong was a licenced representative in carrying out dealing in futures contracts from April 2003 to November 2013, in advising on futures contracts from April 2003 to March 2004 and in asset management from April 2003 to March 2004 under the Securities and Future Ordinance (the "SFO").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Yan Ming Edmond (杜恩鳴) ("**Mr. To**"), aged 46, was appointed as an independent non-executive Director on 27 March 2017. Mr. To is also the chairman of our remuneration committee and a member of our audit and nomination committee.

Mr. To obtained a bachelor degree of commerce accounting from Curtin University of Technology in Western Australia in February 1996. He is currently a certified public accountant ("CPA") practicing in Hong Kong. He has been a member of CPA Australia and Hong Kong Institute of Certified Public Accountants ("HKICPA") since May 1999 and May 2000, respectively.

Mr. To has been a director of R.C.W (HK) CPA Limited since November 2011, and has been responsible for the overall operation of the firm. He has been a director of Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Company Limited) since July 2009, and has been responsible for the overall operations of the assurance and business department. He has been a director of Edmond To CPA Limited since October 2007, and has been responsible for the overall operation of the firm. He previously worked in Deloitte Touche Tohmatsu, an international accounting firm and has extensive experience in accounting, auditing, taxation and initial public offer.

Mr. To was previously an independent non-executive director of China Household Holdings Limited (stock code: 692) (formerly known as Ching Hing (Holdings) Limited and Bao Yuan Holdings Limited) from April 2012 to December 2015 and Theme International Holdings Limited (stock code: 990) from November 2009 to May 2015, companies listed on the Main Board of Stock Exchange of Hong Kong. He is currently an independent non-executive director of Wai Chun Mining Industry Group Limited (stock code: 660), Wai Chun Group Holdings Limited (stock code: 1013), Tianli Holdings Group Limited (stock code: 117), SH Group (Holdings) Limited (stock code: 1637), Birmingham Sports Holdings Limited (stock code: 2309) (formerly known as Birmingham International Holdings Limited), EPI (Holdings) Limited (stock code: 689) and Courage Marine Group Limited (stock code: 1145), companies listed on the Main Board of Stock Exchange of Hong Kong. He is also an independent non-executive director of China Vanguard You Champion Holdings Limited (stock code: 8156), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong. He is a founder of Arcus Charitable Foundation Limited, a charitable institution or trust of a public character in Hong Kong, since August 2014 and has been appointed as its chairman since December 2015.

Biographical Details of Directors and Senior Management

Mr. Chau Shing Yim David（周承炎）(“**Mr. Chau**”), aged 54, was appointed as an independent non-executive Director with effect from 27 March 2017. Mr. Chau is also the chairman of our audit committee and a member of our remuneration committee and our nomination committee. Mr. Chau has over 20 years of experience in corporate finance covering projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of Deloitte Touche Tohmatsu between October 2000 and November 2007 and was in charge of the mergers and acquisition and corporate finance division. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales (“ICAEW”), and obtained the Corporate Finance Qualification of ICAEW, and a member of the HKICPA since November 1992, and was an ex-committee member of the Disciplinary Panel of HKICPA in 2004. Mr. Chau is the member of Jinan Municipal Committee of the Chinese People’s Political Consultation Conference (“CPPCC”), a director of Hong Kong Securities and Investments Institute and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital since April 2017. Mr. Chau obtained his Bachelor of Science (Economics and Accounting) degree from the University of Ulster in July 1986.

Mr. Chau was previously an independent non-executive director of Up Energy Development Group Limited (stock code: 307) from 20 June 2013 to 25 September 2015 and Varitronix International Limited (stock code: 710) from 1 July 2009 to 3 June 2016, companies listed on the Main Board of Stock Exchange of Hong Kong. He was an executive director of China Solar Energy Holdings Limited (stock code: 155) listed on the Main Board of Stock Exchange of Hong Kong from 15 May 2015 to 12 June 2015. He is currently an independent non-executive director of Lee & Man Paper Manufacturing Limited (stock code: 2314), China Evergrande Group (stock code: 3333), Man Wah Holdings Limited (stock code: 1999), Richly Field China Development Limited (stock code: 313), Evergrande Health Industry Group Limited (stock code: 708), HengTen Networks Group Limited (stock code: 136), IDG Energy Investment Group Limited (stock code: 650) and Branding China Group Limited (stock code: 863), companies listed on the Main Board of Stock Exchange of Hong Kong.

Mr. Wong Garrick Jorge Kar Ho（黃嘉豪）, aged 36, was appointed as an independent non-executive Director with effect from 27 March 2017. Mr. Wong Garrick Jorge Kar Ho is also the chairman of our nomination committee and a member of our remuneration committee and our audit committee. Mr. Wong Garrick Jorge Kar Ho has been the director and general manager of Kar Seng International Trade & Investment Company, Limited（嘉承國際貿易投資有限公司）, a company engaging in import and export trading and investment business in Macau, since 16 September 2010 and a director of Chip Seng Coffee Company Limited（捷成咖啡有限公司）, an importer and food distributor of coffee products in Macau, since 1 July 2009. Mr. Wong Garrick Jorge Kar Ho obtained his Master of Business Administration degree from the University of Macau in May 2012 and his Bachelor of Science (Electrical Engineering) degree from the Queen’s University in May 2004.

Mr. Wong Garrick Jorge Kar Ho is currently a member of Board of Directors of the Macao Chamber of Commerce, a director of the Industrial Association of Macao and the Vice Chairman of Macao Youth Entrepreneur Association.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Chan Lai In (陳麗妍) (“**Ms. Sydney Chan**”), aged 31, has joined our Group as the financial controller since August 2017. Ms. Sydney Chan is primarily responsible for the overall corporate financial matters, capital management, investor relations and the strategic planning of our Group. Ms. Sydney Chan obtained her bachelor of business administration degree in professional accountancy from the Chinese University of Hong Kong in December 2008. Ms. Sydney Chan is a member of the HKICPA. She has extensive experience in accounting, auditing, taxation and initial public offer.

Ms. Cheung Ching Han (張靜嫻) (“**Ms. Christy Cheung**”), aged 33, has joined our Group as the business development manager since 27 December 2012. Ms. Christy Cheung is primarily responsible for overseeing the marketing, human resources and administration departments. Previously, Ms. Christy Cheung served as an assistant merchandiser at Quick Feat International Ltd. between October 2010 and October 2012, Addison Ltd. between May 2007 and April 2008, and Handtex International Ltd. between June 2005 and April 2007.

Mr. Wong Chun Fung (黃鎮鋒) (“**Mr. Wong**”), aged 34, has joined our Group as a sales manager since December 2010. Mr. Wong is primarily responsible for managing key customer accounts. Mr. Wong has over 10 years of experience in food and beverage industry. Mr. Wong started his career as a business development representative from March 2007 to April 2008 at Swire Beverages Limited which engaged in the supply of beverages; a sales supervisor from May 2008 to April 2010 at Wing Sang Cheong Limited which engaged in the supply of food products.

COMPANY SECRETARY

Ms. Wong Man Shan Joyce (王敏珊), aged 33, has joined our Group in August 2017 and was appointed as our company secretary. Ms. Wong is primarily responsible for overseeing the company secretarial matters of our Group. Ms. Wong obtained her bachelor of commerce degree in accounting from Macquarie University in Australia in April 2006. She is a member of CPA (Practising) of the HKICPA since January 2018.

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 of the Company (the "Share") 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:

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

Management Discussion and Analysis

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 introduction of new products 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, Hung Fat Ho Holdings Limited ("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.

Management Discussion and Analysis

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 annual report:

	Net proceeds	**Utilised**	**Unutilised**
	HK$'000	HK$'000	HK$'000
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
	48,500	(5,289)	43,211

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.

Directors' Report

The directors of the Company (the "Directors") are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2018 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of food and beverage grocery distribution. Details of the principal activities of its subsidiaries as at 31 March 2018 are set out in the note 28 to the consolidated financial statements in this annual report. There were no significant changes in the nature of the principal activities of the Group during the year.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four years ended 31 March 2018 is set out on page 112 of this annual report.

BUSINESS REVIEW

The business of the Group for the year ended 31 March 2018 is set out in the section headed "Management Discussion and Analysis" on pages 9 to 15 of this annual report. These discussions form part of this Directors' report.

Environmental Policies and Performance

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimizing the negative impact of the Group's existing business activities on the environment. Details of the environmental policies and performance are set out in the section headed "Environmental Social and Governance Report" on pages 46 to 56 of this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 March 2018, as far as the Board and the management are aware, there was no breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the operation of the Group.

Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate and long-term business goals. During the year ended 31 March 2018, there were no material and significant dispute between the Group and its employees, customers and suppliers.

Directors' Report

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 63 of this annual report.

The Board of the Company does not recommend the payment of a dividend for the year ended 31 March 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 21 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

RESERVE

Details of movements in the reserves of the Company and the Group are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

In the opinion of the Directors, there is no reserve of the Company which is available for distribution to Shareholders as at 31 March 2018.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate revenue attributable to the five largest customers of the Group accounted for less than 30% of the Group's total revenue for the year ended 31 March 2018.

During the year under review, the aggregate purchases attributable to the Group's the five largest suppliers accounted for less than 30% of the Group's total purchase for the year ended 31 March 2018.

During the year under review, none of the Directors, their close associates or any shareholders (which to the best knowledge of the Directors, who owns more than 5% of the Company's issued share capital), has any interests in any of the above five largest customers and suppliers of the Group for the year.

DIRECTORS

The Directors who held office during the year ended 31 March 2018 and up to the date of this annual report are:

Executive Directors

Mr. Wong Siu Man *(Chairman)*
Mr. Wong Siu Wa *(Chief Executive Officer)*
Mr. Yip Kam Cheong *(Compliance Officer)*

Non-executive Director

Mr. Wong Chun Hung Hanson

Independent non-executive Directors

Mr. To Yan Ming Edmond
Mr. Chau Shing Yim David
Mr. Wong Garrick Jorge Kar Ho

In accordance with Article 16.18 of the Articles of Association of the Company, Mr. Wong Siu Man, Mr. Wong Siu Wa and Mr. Yip Kam Cheong shall retire by rotation at the 2018 annual general meeting and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on Friday, 24 August 2018 ("2018 AGM") and being eligible, to offer themselves for re-election at the 2018 AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 5 to 8 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, a written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors continue to be independent.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years, commencing from 27 March 2017, subject to retirement and re-election in accordance with the Articles of Association and GEM Listing Rules, unless terminated by either party by giving at least three (3) month's written notice to the other.

The non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three (3) years respectively, commencing from 27 March 2017 subject to retirement and re-election in accordance with the Articles of Association and GEM Listing Rules, unless terminated by either party by giving at least one (1) month's written notice to the other.

Save as disclosed above, none of the Directors being proposed for re-election at the 2018 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, senior management and the five highest paid individuals of the Group are set out in notes 7(a) and 7(b) to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

During the year ended 31 March 2018, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

There were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the Controlling Shareholders or the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate Percentage of shareholding [(1)]
Mr. Wong Siu Man [(2)]	Interest of controlled corporation	602,800,000	51.88%
Mr. Wong Siu Wa [(2)]	Interest of controlled corporation	602,800,000	51.88%
Mr. Wong Chun Hung Hanson [(3)]	Interest of controlled corporation	25,160,000	2.17%

Notes:

(1) The percentage has been computed based on 1,162,000,000 Shares, being the total number of ordinary shares of the Company in issue as at the 31 March 2018 and the date of this report.

(2) This represents the Shares held by Sky Alpha Investments Limited ("Sky Alpha"), a company beneficially owned as to 58.38% by Mr. Wong Siu Man, 38.92% by Mr. Wong Siu Wa and 2.7% by Glory Concord Limited ("Glory Concord") respectively, therefore, Mr. Wong Siu Man and Mr. Wong Siu Wa were deemed to be interested in 602,800,000 Shares under the SFO.

(3) This represents the Shares held by Trillion Advance Investments Limited ("Trillion Advance"), a company beneficially owned as to 66.7% by Mr. Hanson Wong and 33.3% by Mr. Mak Kwok Kwan Terence respectively, therefore, Mr. Wong Chun Hung Hanson was deemed to be interested in 25,160,000 Shares under the SFO.

Save as disclosed above, as at 31 March 2018 and up to the date of this annual report, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or 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 in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" in this report, at no time during the year ended 31 March 2018 and up to the date of this annual report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 March 2018, the following persons (other than Directors or chief executive of the Company), who had interests in the Shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company were as follows:

Long positions

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate Percentage of shareholding
Sky Alpha (1)	Legal and Beneficial owner	602,800,000	51.88%
Ms. Fan Wing (2)	Interest of spouse	602,800,000	51.88%
Ms. Chu Man (3)	Interest of spouse	602,800,000	51.88%
Mr. Mak Kwok Kwan Terence (4)	Interest in controlled corporation	25,160,000	2.17%
Ms. Lam Wing Yu (5)	Interest of spouse	25,160,000	2.17%
Trillion Advance (4)	Legal and Beneficial owner	25,160,000	2.17%
Ms. Cheung Wan Che (6)	Interest of spouse	25,160,000	2.17%

Notes:

(1) Sky Alpha is beneficially owned as to 58.38% by Mr. Wong Siu Man, an executive Director, 38.92% by Mr. Wong Siu Wa, an executive Director and 2.7% by Glory Concord, respectively. Mr. Wong Siu Man and Mr. Wong Siu Wa are therefore deemed to be interested in 602,800,000 Shares under the SFO.

(2) Ms. Fan Wing is the spouse of Mr. Wong Siu Man. Under the SFO, Ms. Fan Wing is deemed to be interested in the same number of Shares in which Mr. Wong Siu Man is interested.

(3) Ms. Chu Man is the spouse of Mr. Wong Siu Wa. Under the SFO, Ms. Chu Man is deemed to be interested in the same number of Shares in which Mr. Wong Siu Wa is interested.

(4) Trillion Advance is beneficially owned as to 66.7% by Mr. Hanson Wong, a non-executive Director and 33.3% by Mr. Mak Kwok Kwan Terence, respectively. Mr. Wong Chun Hung Hanson and Mr. Mak Kwok Kwan Terence are therefore deemed to be interested in 25,160,000 Shares under the SFO.

(5) Ms. Lam Wing Yu is the spouse of Mr. Wong Chun Hung Hanson. Under the SFO, Ms. Lam Wing Yu is deemed to be interested in the same number of Shares in which Mr. Wong Chun Hung Hanson is interested.

(6) Ms. Cheung Wan Che is the spouse of Mr. Mak Kwok Kwan Terence. Under the SFO, Ms. Cheung Wan Che is deemed to be interested in the same number of Shares in which Mr. Mak Kwok Kwan Terence is interested.

Save as disclosed above, as at 31 March 2018, the Directors were not aware of any other person (other than the Directors or chief executive of the Company as disclosed in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporations" above) who had or is deemed to have interests or short positions in the Shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company has not entered into any connected transaction with any of the Controlling Shareholders. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director, auditor or other officer of the Company 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, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Subject to the Companies Law (2016 Revision), Cap 22 of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

COMPETING INTEREST

During the year ended 31 March 2018, none of the Directors or the Controlling Shareholders of the Company or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

DEED OF NON-COMPETITION

The Controlling Shareholders, namely Mr. Wong Siu Man, Mr. Wong Siu Wa, Sky Alpha and Glory Concord, entered into a deed of non-competition dated 27 March 2017 ("Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the Controlling Shareholders since the Listing Date and up to the date of this annual report.

PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2018 and up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient prescribed public float of the issued Shares as required under the GEM Listing Rules.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 28 to 45 of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2018 AGM will be held on Friday, 24 August 2018. 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.

Directors' Report

SHARE OPTION SCHEME

Share option scheme of the Company was approved by a resolution of the Shareholders of the Company passed on 27 March 2017 (the "Share Option Scheme"). The principal terms of the Share Option Scheme is summarised in Appendix IV to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

As at 31 March 2018 and up to the date of this annual report, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 March 2018 and as the date of this annual report.

The following is a summary of the principal terms of the Share Option Scheme:

Purposes

The purpose of the Share Option Scheme is to enable the Group to grant share options to the eligible persons as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity").

Eligible Participants

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or adviser of the Group who in the sole discretion of the Board has contributed to and/or will contribute to the Group) (the "Eligible Persons") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report

112,000,000 Shares, being approximately 9.64% of the issued share capital of the Company as at the date of this annual report.

Maximum entitlement under the scheme

The maximum number of Shares issued and to be issued upon exercise of the options granted (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued Shares unless approved in advance by the Shareholders of the Company in general meeting with such eligible person and his close associates or his associates abstaining from voting.

Period within which the securities must be taken up under an option

There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the terms of the Share Option Scheme.

Amount payable on acceptance of an option

An offer shall be accepted when the Company receives the duly signed offer letter together with a non-refundable payment of HK$1.00 (or such other sum in any currency as the Board may determine).

Minimum period, if any, for which an option must be held before it can be exercised

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance to the Share Option Scheme.

Basis of determining the exercise price

The exercise price is determined by the Directors 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 date of grant of relevant option; (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations for the five business days (as defined in the GEM Listing Rules) immediately preceding the date of grant; and (iii) the nominal value of a Share.

Remaining life of the Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years from 27 March 2017.

Further details of the Share Option Scheme are set out in note 27 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Directors' Report

USE OF PROCEEDS

The Shares were listed on the GEM of the Stock Exchange on 13 April 2017. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK$48.5 million which 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 annual report:

	Net proceeds	**Utilised**	**Unutilised**
	HK$'000	HK$'000	HK$'000
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 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
	48,500	(5,289)	43,211

INTERESTS 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.

CORPORATE AND SOCIAL RESPONSIBILITY

The Company places great importance to and conscientiously fulfill its social responsibilities by promoting the harmony and interaction of the Company and society; achieving sustainable development; setting up a good corporate image; providing employment opportunities for the society in accordance with the laws and regulations, having a passion for the public welfare undertaking, creating a better social atmosphere for the Company and achieving long-term sustainable development. The Company has integrated the corporate social responsibility with the Company's business development, unremittingly pursue the common progress and development of the Company and the customers, employees, Shareholders and society.

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 annual report.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company ("Audit Committee") comprises three independent non-executive Directors, namely, Mr. Chau Shing Yim David (Chairman), Mr. To Yan Ming Edmond and Mr. Wong Garrick Jorge Kar Ho.

The Audit Committee, together with the management, have reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the year ended 31 March 2018.

AUDITOR

Deloitte Touche Tohmatsu resigned as auditor of the Company on 29 March 2018 and had not commenced any audit work on the consolidated financial statements of the Company for the year ended 31 March 2018.

HLB Hodgson Impey Cheng Limited ("HLB") was appointed as auditor of the Company on 29 March 2018 and the consolidated financial statements of the Company for the year ended 31 March 2018 were audited by HLB. HLB will retire at the 2018 AGM and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of HLB as auditor of the Company will be proposed at the 2018 AGM.

By order of the Board
Wong Siu Man
Chairman and Executive Director

Hong Kong, 28 June 2018

Corporate Governance Report

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2018.

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 annual report (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. Key corporate governance principles and practices of the Company are summarised below.

A. THE BOARD

A.1 Responsibilities and Delegation

The Board is entrusted with the overall responsibility for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control systems, risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, change of Directors, ad hoc projects and other significant financial and operational matters. The Board has the full support of the management to discharge its responsibilities.

The day to day management, administration and operation of the Company are delegated to executive Directors and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above mentioned officers. All Directors have full and timely access to all relevant information of the Company, with a view to ensure that Board procedures and all applicable rules and regulations in Cayman Islands and Hong Kong are followed. Each Director is normally able to seek independent advice in appropriate circumstances at the Company's expense, upon making request to the Board.

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

The Board is also responsible for, among others, performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code, which include:

– to develop and review the Group's policies and practices on corporate governance and make recommendations;

– to review and monitor the training and continuous professional development of the Directors and senior management;

– review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

– to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Company has arranged appropriate liability insurance coverage for all the Directors, including company securities, employment practices, regulatory crisis event, investigation, litigation, tax liabilities and public relation, etc., which is to be reviewed by the Board on a regular basis.

The Board has delegated day-to-day operation responsibility to the management of the Company under the supervision of the executive Directors and various Board committees. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entering into by the foregoing officers and senior management.

A.2 Board Composition

The Board comprised the following Directors during the year ended 31 March 2018 and up to the date of this annual report:

Executive Directors
Mr. Wong Siu Man *(Chairman)*
Mr. Wong Siu Wa *(Chief Executive Officer)*
Mr. Yip Kam Cheong *(Compliance Officer)*

Non-executive Director
Mr. Wong Chun Hung Hanson

Independent non-executive Directors
Mr. To Yan Ming Edmond
Mr. Chau Shing Yim David
Mr. Wong Garrick Jorge Kar Ho

The nomination committee of the Company (the "Nomination Committee" or "NC") ensures the composition of the Board constitutes a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current Board composition of three executive Directors, one non-executive Director and three independent non-executive Directors can effectively exercise independent judgment. The list of all Directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The independent non-executive Directors (the "INEDs") are expressly identified in all corporate communications of the Company. There is no relationship (including financial, business, family or other material or relevant relationships) between the Board members, and in particular, between the Chairman, the deputy chairman and the president.

During the year ended 31 March 2018, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three INEDs with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules.

The participation of INEDs in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all Shareholders of the Company have been duly considered. Each of the INED has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the INEDs are independent.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Save as abovementioned, the Board members has no financial, business, family or other material/relevant relationships with each other.

The list of current Directors (by category) is also disclosed in this annual report and all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The Company also maintains on its website (www.agdl.com.hk) and on the GEM's website (www.hkgem.com) an updated list of current Directors (by category) identifying their role and function.

A.3 Chairman and Chief Executive

The Company had complied with the code provisions in the CG Code.

Mr. Wong Siu Man is the Chairman and is responsible for major decision-making and implementation of business strategies of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to Board's affairs and promoting a culture of openness and debate. The Chairman seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and have received adequate and reliable information in a timely manner.

Mr. Wong Siu Wa is the chief executive officer (the "CEO") and is in charge of the Company's day-to-day management and operations and focuses on implementing the objectives, policies and strategies approved and delegated by the Board.

A.4 Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years, commencing from 27 March 2017, unless terminated by either party by giving at least three (3) month's written notice to the other. The non-executive Director and each of the INEDs has entered into a letter of appointment with the Company for an initial term of three (3) years respectively, commencing from 27 March 2017, unless terminated by either party by giving at least one (1) month's written notice to the other.

Pursuant to Article 16.18 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Board and the Nomination Committee of the Company has recommended Mr. Wong Siu Man, Mr. Wong Siu Wa and Mr. Yip Kam Cheong standing for re-election at the 2018 AGM.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Company has established a Nomination Committee and its primary functions are to make recommendations to the Board regarding candidates to fill vacancies on the Board and policies/practices on corporate governance of the Group. Details of the Nomination Committee and its work performed are set out in the "Board Committees" section below.

A.5 *Induction and Continuous Professional Development for Directors*

Pursuant to Code Provision A.6.5 of CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the Group structure, Board and Board Committees meetings procedures, business, management and operations of the Company, etc. and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements in the Cayman Islands and Hong Kong. During the year, all the Directors participated in the induction program regarding directors' responsibilities and obligations under the GEM Listing Rules conducted by the Company's legal adviser, which covered, among other topics, the CG Code, GEM Listing Rules and directors' continuing obligations.

All Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

According to the records maintained by the Company, the Directors received the following training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the new requirement of the CG Code on continuous professional development during the period from Listing Date to the date of this annual report:

	Reading materials	Attending seminars/ induction training
Executive Directors		
Mr. Wong Siu Man *(Chairman)*	✓	✓
Mr. Wong Siu Wa *(Chief Executive Officer)*	✓	✓
Mr. Yip Kam Cheong *(Compliance Officer)*	✓	✓
Non-executive Director		
Mr. Wong Chun Hung Hanson	✓	✓
Independent Non-executive Directors		
Mr. To Yan Ming Edmond	✓	✓
Mr. Chau Shing Yim David	✓	✓
Mr. Wong Garrick Jorge Kar Ho	✓	✓

Besides, the Company keeps circulating information and materials to develop and refresh Directors' (Mr. Wong Siu Man, Mr. Wong Siu Wa, Mr. Yip Kam Cheong, Mr. Wong Chun Hung Hanson, Mr. To Yan Ming Edmond, Mr. Chau Shing Yim David, and Mr. Wong Garrick Jorge Kar Ho) knowledge and skills from time to time. All the information and materials are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The company secretary is responsible to keep records of training taken by each Director.

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year for reviewing and approving financial statements, operating performance, budgets, rules and regulations, announcements and circulars issued by the Company and considering and approving the progress of the various on-going projects, the overall strategies and policies of the Company. Additional meetings would be arranged if and when required. Annual meeting schedules of each meeting of the Board and for the audit committee, nomination committee and remuneration committee of the Company (the "Committees") are normally made available to Directors and members in advance. Board members are provided with all agenda drawn up by the Chairman and adequate information for their review at least 14 days before the meetings. The Board and Board Committees members are supplied with comprehensive meeting papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors and the Board Committees members are given opportunities to include matters in the agenda for regular Board and Board Committees meetings and/or their meetings, if required. To facilitate the decision-making process, the Directors and the Board Committees members are free to have access to the management for enquiries and to obtain further information, when required.

After the meeting, draft minutes are circulated to all Directors and Committees' members for comments. Minutes of Board meetings and meetings of Board Committees are kept by the company secretary and are available for inspection by the Directors at all times.

Directors may participate in meetings either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. If a substantial shareholder or a director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting rather than a written resolution, Independent non-executive Directors who have no material interest in the transaction should be present at that Board meeting.

Corporate Governance Report

A.6.2 Directors' Attendance Records

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving 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 period from Listing Date to the date of this annual report, the Board convened seven (7) full Board meetings. The attendance of each Director is as follows:

	Number of meetings attended/eligible to attend			
	Board	Remuneration Committee ("RC")	Audit Committee ("AC")	Nomination Committee ("NC")
Executive Directors				
Mr. Wong Siu Man *(Chairman)*	9	N/A	N/A	N/A
Mr. Wong Siu Wa *(Chief Executive Officer)*	9	N/A	N/A	N/A
Mr. Yip Kam Cheong *(Compliance Officer)*	9	N/A	N/A	N/A
Non-executive Director				
Mr. Wong Chun Hung Hanson	9	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. To Yan Ming Edmond	9	1	4	1
Mr. Chau Shing Yim David	7	1	3	1
Mr. Wong Garrick Jorge Kar Ho	9	1	4	1

There were two (2) additional Board meetings held and attended by certain executive Directors and INEDs for normal course of business up to the date of this annual report. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company and are available to all Directors.

A.7 Required Standard of Dealings

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code on Securities Dealings"). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings since the Listing Date and up to 31 March 2018.

No incident of Code on Securities Dealings by the Directors was noted by the Company.

In case when the Company is aware of dealings in the Company's securities during the restricted period, the Company will notify its Directors in advance.

B. BOARD COMMITTEES

The Board has established three Board Committees, namely, the AC, the RC and the NC, 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 GEM's website at www.hkgem.com and the Company's website at www.agdl.com.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.

B.1 Audit Committee

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

The members of the AC should meet not less than twice a year to consider interim report and annual report prepared by the Board and meet the external auditors at least twice a year. During the period from Listing Date to the date of this annual report, the individual attendance records of each Director at the meeting of the AC is set out on page 34 of this annual report.

Up to the date of this annual report, the AC met four times, of which one of the meetings was also with the presence of the external auditor and the senior management of the Company and performed the following major tasks:

– 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;

– Review and discussion of the risk management and internal control system of the Group;

– Discussion and recommendation of the re-appointment of external auditor; and

– Review of the Company's continuing connected transactions for the year ended 31 March 2018 pursuant to the GEM Listing Rules.

During the year ended 31 March 2018, the fee paid/payable to auditor in respect of audit service and/or non-audit services provided by the auditor to the Group were as follows:

Nature of services	2018 HK$'000	2017 HK$'000
Audit for the year	**900**	900
Initial public offering	**–**	2,800
Others	**7**	20

B.2 Nomination Committee

The principal duties of the NC are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of INEDs.

Up to the date of this annual report, the NC met once and performed the following major tasks:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Assessment of the independence of the existing INEDs;

– Recommendation on the re-appointment of retiring Directors at the AGM pursuant to the Articles of Association;

– Review and development of the Company's policies and practices on corporate governance and make recommendations to the board;

- Review and monitoring of the training and continuous professional development of directors and senior management;

- Review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements;

- Review and monitoring of the code of conduct applicable to employees and directors; and

- Review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The NC consists of three independent non-executive Directors, namely Mr. Wong Garrick Jorge Kar Ho, Mr. To Yan Ming Edmond and Mr. Chau Shing Yim David. Mr. Wong Garrick Jorge Kar Ho currently serves as the chairman of the NC.

The members of the NC should meet at least once a year where appointment of the Directors will be considered. During the period from Listing Date to the date of this annual report, the individual attendance records of each Director at the meeting of the NC is set out on page 34 of this annual report.

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board, the summary of which are set out below:

- With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development;

- In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and

- All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

B.3 Remuneration Committee

The primary functions of the RC are to (i) make recommendation to the Board on the remuneration packages of the Directors and senior management of the Group, (ii) review performance based remuneration and (iii) ensure none of the Directors determine their own remuneration.

The RC consists of three independent non-executive Directors, namely Mr. To Yan Ming Edmond, Mr. Wong Garrick Jorge Kar Ho, and Mr. Chau Shing Yim David. Mr. To Yan Ming Edmond currently serves as the chairman of the RC.

The members of the RC should meet at least once a year. During the period from Listing Date to the date of this annual report, the individual attendance records of each Director at the meeting of the RC is set out on page 34 of this annual report.

Set out below is a summary of the work and related tasks performed by the RC during the period:

– reviewed the summary of remuneration package paid to each Directors and senior management of the Company;

– studied the current remuneration package, policy and structure of all Directors (including appointment(s), resignation(s) and retirement(s) during the year);

– proposed remuneration packages with reference to the duties and responsibilities of Directors, business performance and profitability of the Group and market conditions, the corporate objective and goal set by the Board and a report of salaries paid by the comparable companies to directors and senior management; and

– reviewed the procedures of remuneration policy, procedures and structure for fixing the remuneration packages.

Pursuant to the code provision B.1.5 of the CG Code, the remuneration of the members of the Board and the senior management by band for the year ended 31 March 2018 is set out below:

In the band of	Number of Individuals
Nil to HK$1,000,000	10
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	Nil
HK$3,000,001 to HK$4,000,000	Nil
Over HK$4,000,000	Nil

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for the year ended 31 March 2018 are set out in note 7 to the consolidated financial statements, respectively, contained in this annual report.

C. COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed LY Capital Limited as its compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company will consult with and, if necessary, seek advice from its compliance adviser on a timely basis in the following circumstances:

– before the publication of any regulatory announcement, circular or financial report;

– where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

– where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate or other information in the Prospectus; and

– where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of the Company shall commence on the Listing Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

D. COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Ms. Wong Man Shan Joyce was appointed as the Company Secretary of the Group on 1 July 2017. Ms. Wong has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 March 2018, she has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

E. DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 March 2018, which give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules.

As at 31 March 2018, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. Therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders of the Company. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 57 to 62 of this annual report.

F. CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with CG Code each financial year and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual reports.

G. 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 from the Listing Date up to the date of this annual report.

H. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. Such review is done with a view to ensuring that resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions are adequate. The Directors consider that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

For the year ended 31 March 2018, the Board engaged an internal control consultant (the "Consultant"), an independent third party, to undertake a review of the internal control system of the Group. The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by the Consultant to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of the Consultant as well as the comments of the Audit Committee, the Board is of the view that the internal control measures in place are adequate and effective to safeguard the Group's assets and the interest of Shareholders.

The Company does not have an internal audit function. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient risk management and internal control for the Group. The Company will review the need for an internal audit function on an annual basis.

The Group adopts a risk management framework which comprises the following processes:

– Identify significant risk in the Group's operation environment and evaluate the impacts of those risks on the Group's business;

– Develop necessary measures to manage those risks; and

– Monitor and review the effectiveness of such measures.

The Group formulated the policies and procedures of risk management and internal control as follows:

– The Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;

– Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;

– Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;

– A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and

– Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

Principal Risks

During the period under review, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks:

Risk Areas	Principal Risks
Strategic Risks	Market Competition
Operational Risks	Employee commitment and satisfaction, warehouse disruption
Financial Risks	Credit risk of customers, fund investments and returns
Compliance Risk	Change in relevant food safety regulation, company and tax regulations and ordinances, updates in accounting standards and listing rules

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 March 2018 and considered that it was effective.

I. PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has approved and adopted the Inside Information Policy for the Company since 2017 for monitoring inside information to ensure compliance with the GEM Listing Rules and the Securities and Futures Ordinance. The procedures and internal controls for handling and dissemination of inside information as set out in the Inside Information Policy are summarised below:

Handling of Inside Information

1. Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board in accordance with the GEM Listing Rules. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Inside Information Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the Management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.

2. Each department shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors and financial controller who is also the Company Secretary, immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

3. The Group's Finance Department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the GEM Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arises.

Dissemination of Inside Information

Inside information is announced promptly through the websites of the GEM (www.hkgem.com) and the Company (www.agdl.com.hk). The electronic publication system of the GEM is the first channel of dissemination of the Group's information before any other channel.

J. INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings (the "AGM") and the extraordinary general meetings (the "EGM") of the Company.

The 2018 AGM of the Company will be held on 24 August 2018, the notice of which shall be sent to the Company's shareholders in accordance with the Articles of Association of the Company, the GEM Listing Rules and other applicable laws and regulations.

K. SHAREHOLDERS' RIGHTS

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Investor Services Limited, whose contact details are stated in the section headed "Corporate Information" of this annual report.

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene an EGM of the Company and state the purpose therefore to the Board or the Company Secretary.

The Company has adopted Communications Policy with Shareholders and investors of the Company that provide ready, equal and timely access to understandable information about the Company. The Board welcomes Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary.

Pursuant to Articles of Association of the Company, if a Shareholder wishes to propose a person other than retiring Directors for election as a Director at a general meeting of the Company, the Shareholder should deposit a written notice of nomination which shall be given to the principal place of business of the Company in Hong Kong within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). The relevant procedures is posted on the Company's website (www.agdl.com.hk).

The shareholders of the Company may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address:	4/F., How Ming Factory Building 99 How Ming Street, Kwun Tong Kowloon, Hong Kong
Fax:	(852) 2455 3766
E-mail:	fax@hfh.com.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

L. COMMUNICATION WITH SHAREHOLDERS

In order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company, the Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

(a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the GEM's website and the Company's website;

(b) periodic announcements are made through the Stock Exchange and published on the respective websites of the GEM of the Stock Exchange and the Company;

(c) corporate information is made available on the Company's website;

(d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(e) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

M. CONSTITUTIONAL DOCUMENTS

During the period from Listing Date to the date of this annual report, there were amendment in the constitutional documents of the Company. The amended Articles of Association are available on the websites of the GEM of the Stock Exchange and of the Company.

Environmental, Social and Governance Report

ABOUT THE GROUP

Asia Grocery Distribution Limited (the "Company") and its subsidiaries (collectively "the Group") own, operate and manage distribution business of food and beverage groceries. Founded as "Hung Fat Ho" in Kwun Tong in the 1970s, the Group focuses on distributing a wide range of food and beverage groceries to customers in Hong Kong including restaurants, non-commercial dining establishments, hotels and private clubs, food processing operators and distributors. The Group also engages in procurement, repackaging, quality assurance, warehousing and storage, transportation and other value-added services, to provide customers one-stop solutions on food and beverage groceries distribution.

Quality food and diversified services are the keys to the Group's success. In addition, the Group emphasises the sustainability of the business and is committed to maintain a high standard of business practices in environmental protection, social responsibility and corporate governance.

REPORTING PERIOD AND SCOPE

The Group is committed to adopt policies of sustainable development solutions in daily operation and management. The Group is pleased to present its report on the Environmental, Social, and Governance (the "ESG") aspects (the "ESG Report"), in accordance with Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The ESG Report covers the Group's overall approach and performance in environmental protection, employment and workplaces practices, operating practices and community investment during the year from 1 April 2017 to 31 March 2018 (the "Reporting Period"). The ESG Report covers the Group's food distribution business and corporate office in Hong Kong.

MATERIALITY ASSESSMENT

Based on the materiality, this report focuses on the environmental, social and governance aspects of our food and beverage groceries distribution business. The Group's major stakeholders are listed below.

Major Stakeholder	Areas of Concern	Communication Channel
Stock Exchange	Compliance with listing rules	Announcements in the Stock Exchange website Discussions and meetings as necessary Emails and other correspondences
Government and regulatory bodies	Laws and regulations Taxation	Site visits and audits Regular declarations Public Notice of new laws and regulations in the Gazette Reports and other publication in their websites
Shareholders and investors	Return on investment Information disclosure Protection on rights and interests of shareholders and fair treatment of shareholders	Annual and other general meeting of members Annual reports, announcements and other disclosures/publications Company website/Disclosures on the Stock Exchange website Group email managed by designated employees
Employees	Salaries and welfares Protection on Employee's rights and interests Health and safety Feedback opportunities	Regular meetings Employee trainings Intranet and emails Regular employee activities
Customers	Product safety and quality Customer satisfaction Business ethics After sales services	Website Regular business visits Participation in food exhibitions and events Bidirectional customer evaluations

Major Stakeholder	Areas of Concern	Communication Channel
Suppliers	Long-term and sustainable business relationship Fair competition	Supplier contracts, emails, teleconference, interview Bidirectional supplier evaluation
Media	Corporate governance Environmental protection	Correspondence and discussion on concerned topics
Community	Environmental protection Contribution to the community	Voluntary activities Community visits

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGIES

The Board of directors (the "Board") formulates the Group's environmental, social and governance strategies which then the executive directors and senior management execute the plan. The executive directors and senior management are responsible for reviewing and monitoring the Group's environmental, social and governance policies and practices and discuss with external professional consultants regularly in order to ensure that the Group complies with relevant legal and regulatory requirements. The executive directors and senior management monitor and respond to the latest environmental, social and governance issues, report to the Board on major issues and make relevant recommendations to enhance the Group's environmental, social and governance performance.

The Board reviews the Group's environmental, social and governance report annually, discusses among the key risks and makes relevant recommendations for the coming year. Thereafter, the management reports the key risks and the execution progress of the recommendations at the regular Board meeting and the Board takes appropriate measures if required.

Regarding the existing business operation and overall environment of the Group, the Board identifies product assurance and supply chain management as the major environmental, social and governance risks. Since the core products of the Group are food and beverage groceries, the Group has appointed designated personnel to execute quality control of products, make timely updates on relevant laws and regulations and enhance supply chain management including assessment on suppliers and transportation arrangements in order to control the risks. The personnel will also discuss major issues with senior management and the Board. For further details, please refer to the relevant sections of the ESG Report.

FEEDBACK

The report aims to be concise and easy to understand. The Group will continue to improve the report's content and information disclosure. We welcome feedback and recommendation on the content of the ESG report by email us at fax@hfh.com.hk.

A. ENVIRONMENTAL PROTECTION

A.1 Emissions and waste

The Group provides food and beverage groceries distribution solutions to its customers. The Group focuses on those emissions that may adversely affect the environment and tries to minimise the waste emission during the operation. The Group complied with the environmental protection laws and regulations in Hong Kong and no violations were reported during the Reporting Period.

The Group encourages energy conservation and emission reduction in all processes of procurement, inventory management, repackaging and sales and delivery. The Group has reduced the frequency of transportation by simplifying inventory management and delivery process in order to reduce carbon emissions from diesel and gasoline consumption.

Air Pollutant Emission

Carbon emissions mainly come from vehicles. The Group has appointed third-party transportation companies to deliver products to its customers. The Group's emissions are mainly from its own vehicles. In order to reduce air pollutant emission in logistic operation, the Group focuses on the selection process of third-party transportation companies, while there is no direct calculation on the emission figures for the transportation carried by them.

	Nitrogen Oxides (NOx)	**Sulphur Oxides (SOx)**	**Respiratory Suspended Particles (RSP)**
Air Pollutant Emission	1,218g	19g	90g

Greenhouse Gas ("GHG") Emission

GHG emissions include carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O).

The greenhouse gas emissions produced in the business processes mainly come from Vehicles (Scope 1), Office and Warehouse Power (Scope 2) and Paper (Scope 3).

	Carbon Dioxide CO_2
Scope 1	3,549kg
Scope 2	140,026kg
Scope 3	6,060kg

The Group has appointed transportation service providers to simplify the delivery process and reduce transportation frequency, the Group lowers the emission of GHG.

The Group promotes the usage of electronic devices in office and warehouses with high power consumption efficiency. The Group also encourages energy conservation activities, including provision of guidelines to employees to switch off lighting, air-conditioning and other electronic equipment when they are not in use.

Waste Management

The Group's business does not involve discharge of pollutants and hazardous wastes to water and land. The key non-hazardous wastes generated by us include daily garbage such as stationeries. As assessed by the Group, such disposal volume is limited and no relevant disclosures have been made accordingly.

A.2 Use of Resources

In the business operation, apart from electricity, major resources consumed include water, papers and packaging materials.

Use of resources	Unit	Usage	Density (revenue)	Density (no. of employee) (Note 1)
Power consumption	Total kwh	274,321	1,413kwh/HKD million	7,838kwh/employee
Water consumption	Total m^3	296	1.52m^3/HKD million	8m^3/employee

Note 1: The density is calculated based on the number of employees. At the end of the Reporting Period, 35 employees have been employed by the Group.

The Group has imposed water-saving policy to reduce water consumption. In order to reduce carbon emissions and increase energy efficiency, the Group has imposed several policies including reduction of electricity usage by maintaining indoor temperature at a reasonable level and regular maintenance of the ventilation system.

The Group encourages its employees to use double-side paper printing and photocopying, reduce wastes and adopt garbage separation. Product repackaging is part of our core business and packaging materials are another resource that we consume. The Group understands the importance of waste reduction. Therefore, we choose the materials that are environmental friendly and re-useable, such as reusable cartons and plastic bags.

During the Reporting Period, the major packaging materials purchased by the Group are as follows:

Major packaging materials	Usage	Density (revenue)	Density (no. of employee) (Note 1)
Plastic bag	4,404kg	22.6kg/HKD million	126kg/employee
Carton box (Note 2)	17,679unit	91.1unit/HKD million	505unit/employee
Adhesive tape (Note 2)	7,650roll	39.4roll/HKD million	219roll/employee

Note 1: The density is calculated based on the number of employees. At the end of the Reporting Period, 35 employees have been employed by the Group.

Note 2: Materials are purchased in unit or roll in different sizes. It is impractical to measure their weight. Therefore, unit and roll are used as reporting unit.

To reduce wastes on products, the Group has adopted ERP system to continuously monitor inventory levels. To ensure the inventory records are accurate, the Group also conducts monthly physical inventory count. The result of actual inventory count would then be compared with the records in the ERP system. The experienced procurement team also helps the Group to anticipate the market demand so as to reduce product obsolescence.

During the Reporting Period, the Group did not breach any laws and regulation that might have a significant impact on the environment and natural resources, including air pollutant emissions and greenhouse gas emissions.

A.3 Environmental policy

The Group strives to contribute to the environmental protection and minimise the environmental impact associated with our business activities. During the packaging process, we reduce the carbon emissions by reusing cartons and other packaging materials. In day-to-day operation, the Group motivates its employees to save energy and create a green working environment.

B. EMPLOYMENT AND LABOUR PRACTICES

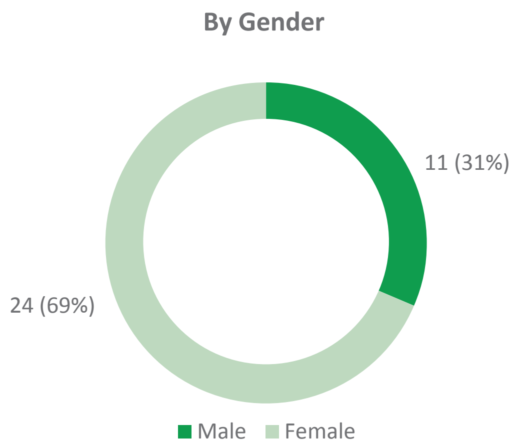
B.1 Employment

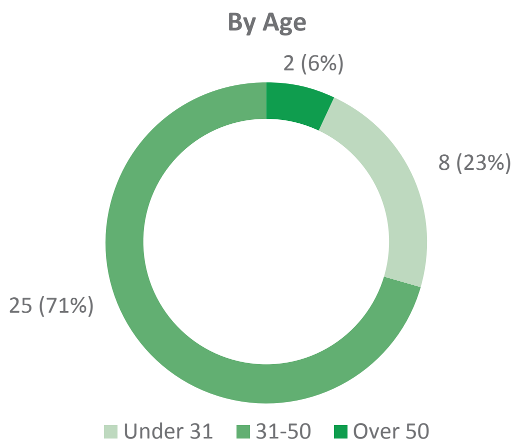
By the end of the Reporting Period, the Group had a total of 35 employees. The Group believes that our employees are one of our indispensable assets. Each of our employees contributes to the success of the Group. We are committed to create and maintain a fair and respectful working environment with our employees together.

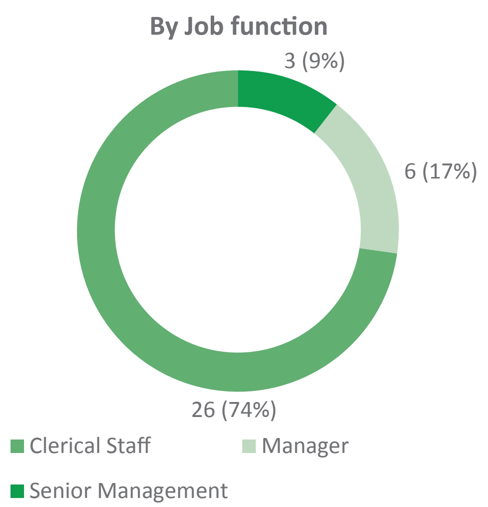
Environmental, Social and Governance Report

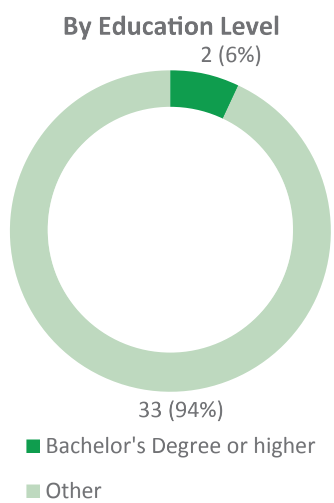
We review our human resources policies and ensure that they are in compliance with Hong Kong Employment Ordinance and other applicable laws and comparable to the general practice and benchmark of the industry. We have established a comprehensive system of remuneration, incentive and performance management to attract and retain talents for our long-term and stable growth. The system consists of basic salary, mandatory and extra benefits (i.e. mandatory provident fund, medical and other insurance, annual leave, sick leave and other allowance), and monetary and non-monetary rewards (i.e. discretionary bonus and sales commission) for our employees.

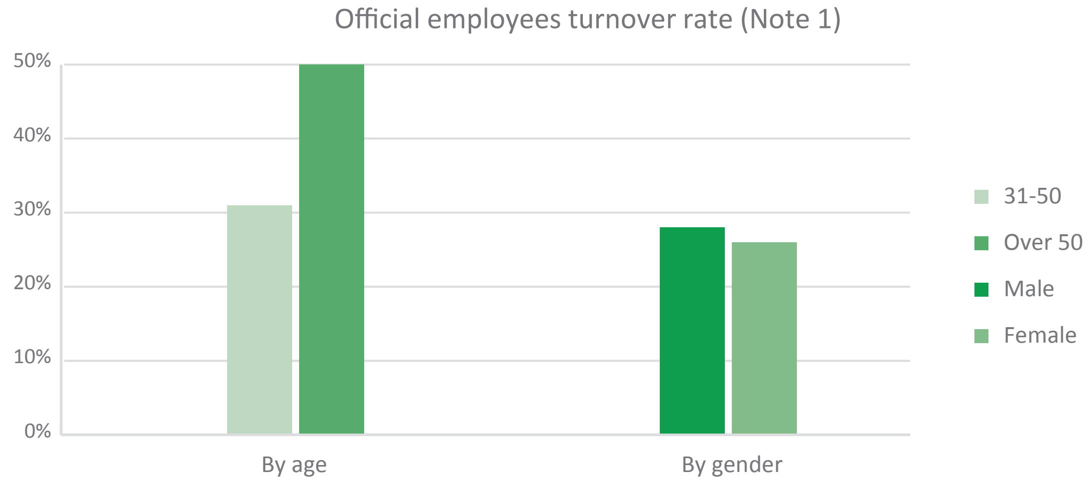
The following figures are based on the total number of employees by the end of the Reporting Period.











Note 1: The Group's probation period is three months, employees are defined as official employees after completion of the probation period.

The Group has established human resource policy to ensure no child labour and forced labour being employed. The Group aims to protect the employees from any discrimination, including racial, religious, age and disability discrimination. If any improper or illegal conducts are discovered, the Group will investigate, punish or dismiss the relevant employees. The Group will further improve the mechanism against illegal behavior when necessary. All dismissal procedures strictly follow the applicable laws and internal guidelines.

B.2 Health and Safety

Occupational safety is always the Group's top priority in designing and implementing business flow. We have established workplace health and safety policies in compliance with relevant laws. To ensure safety of the workplace, we offer our employees various supporting devices such as the use of hand pallet truck to avoid injuries when moving heavy items. Moreover, the Group displays posters about workplace safety at prominent places in warehouse and offices to raise awareness of health and safety among our employees.

During the Reporting Period, we did not identify any material cases of non-compliance on health and safety related laws and regulations.

B.3 Development and Training

To maintain the competitiveness of the Group and our employees, training courses are organised by our human resource team, aiming at employees' individual growth and sustainable development. All directors, company secretary and senior management attend training courses and receive up-to-date information of corporate governance and listing regulations.

As a result of continuous changing regulations on food safety, comprehensive training courses are provided to our procurement staff, warehouse staff and other relevant employees. We also encourage our employees to attend seminars, workshops and conferences related to business management, system operation, communication skills and workforce safety.

During the Reporting Period, the training hours of our employees are shown below.

	Managers and above	Others
Training hours	151hours	367hours

The Group also offers opportunities of internal promotion for employees in recognition of their outstanding performance and effort. We aspire to retain talents and develop their strengths and potentials.

B.4 Labour Standards

The Group is in strict compliance with Hong Kong Employment Ordinance. It is the Group's policy to prohibit the use of child labour and forced labour. During the Reporting Period, no child labour or forced labour are noted in the Group's operation.

C. OPERATING PRACTICES

C.1 Product safety and quality control

The principal activities of the Group include food packaging, warehouse storage and logistics. As a responsible food distributor, we strictly follow registration schemes for food importers and food distributors.

On top of the requirements by law, we highly emphasise the source and quality of our products. During product selection, besides economic considerations, we also take into account the products' origin, nutrition values, freshness and food safety. The Group adheres to the standard preservation method for each category of food and the recommended shelf life. For example, products are well kept in freezers to preserve their freshness when necessary.

Our procurement manager regularly reviews our internal control manual to ensure the suggested procedures laid down by the relevant authorities are followed. Examples of the suggested procedures are to:

(i) apply for registration of food importers and distributors;

(ii) update the main food categories and classifications applicable to us when there are changes of food types; and

(iii) renew and update the registrations, when necessary, to ensure our food safety measures are up to the latest standard.

The Group has implemented after sales services to handle customers' complaints and product recall. Upon receiving any complaints, we investigate and identify the causes and take rectification measures. No recall due to safety and health issues was made by the Group during the Reporting Period.

C.2 Supply Chain Management

The Group attaches great importance to building and maintaining a sustainable and reliable relationships with our suppliers. As one of the intermediate suppliers in the food and beverage groceries supply chain, we procure food and beverage groceries from upper-tier suppliers (for examples, food importers; wholesalers; brand owners; producers; agents and distributors). To ensure our product quality, we have established an extensive procurement network with reliable suppliers that have proven business records and high integrity. We perform regular verification of product quality against the information provided by the suppliers. Suppliers that do not meet our quality requirement standards will be replaced in due course.

The Group has established a stable procurement network with approximately 142 suppliers at the end of the Reporting Period.

C.3 Product Responsibility

The Group highly respects the intellectual property rights and information privacy. With clear and detailed guidelines in the "Employee Handbook", our employees are well educated of their responsibility to protect the intellectual property rights and safeguard the information privacy of our suppliers and customers.

During the Reporting Period, the Group was not aware of any violation of intellectual property rights and data privacy.

C.4 Anti-Corruption

The Group requires employees to strictly conform to code of business ethics and put any corruption bribe behavior to an end as stipulated in the employment contracts and the relevant policies of the Group. We adopt our zero-tolerance policy for misconduct. In the case of conflict of interest, it must be reported to the Group's management. Employees who engage in business operations and represent the Group are strictly prohibited to use business opportunities or power inherent from their position for personal interest or benefit.

Environmental, Social and Governance Report

The Group is committed to work with suppliers who operate in an honest and transparent way and we also request our business partners to follow our anti-corruption policies. To promote anti-corruption, the Group provides comprehensive training courses and reference materials from Independent Commission Against Corruption to our employees. We also upload the whistleblowing policy to our company website to enable our employees to raise concerns and report information which the employees have reasonable grounds to believe a malpractice or impropriety.

During the Reporting Period, there were no legal cases regarding corrupt practices brought against the Group or its directors or employees.

D. COMMUNITY INVESTMENT

The Group upholds the philosophy of "Take from society, give back to society" that we play an active role in community affairs. Besides making regular donations to various charitable organisations, the Group takes an active role in promoting voluntary activities such that we can offer help and care to the underprivileged. During the Reporting Period, the Group was awarded the "Caring Company" by the Hong Kong Council of Social Service for the fifth time. Also, the Group was awarded the "Caring Merchant & Corporate Award" by the Social Welfare Department. As one of the intermediate suppliers in food and beverage groceries chain, the Group donated 1,350 cartons of noodles. During the Reporting Period, the total amount of cash, food and beverage donation amounted to approximately HK$45,000.

The Group organised various voluntary activities including visits during Chinese New Year and was awarded the "Hong Kong Outstanding Corporate Citizenship Awards" by the Hong Kong Productivity Council. During the Reporting Period, we achieved 20 hours of voluntary services. The Group always seeks to promote community service and contribute to local community.

Independent Auditor's 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 ASIA GROCERY DISTRIBUTION LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Grocery Distribution Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 111, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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
Valuation of Inventories	
We identified the valuation of inventories as a key audit matter due to the use of judgment by the management of the Group in identifying slow moving and obsolete inventories and estimating the allowance for inventories. As disclosed in note 4 to the consolidated financial statements, the Group had a significant inventories balance of HK$28,564,000, which were food and beverage grocery products, as at 31 March 2018. As detailed in note 4 to the consolidated financial statements, the management of the Group reviewed the inventory ageing analysis at the end of the reporting period to identify slow moving inventory items. During the year ended 31 March 2018, no allowance for inventories was charged to profit or loss based on assessment of net realisable value by the management of the Group by considering the latest selling prices and current market conditions.	Our procedures in relation to the valuation of inventories included: • Obtaining an understanding of the key controls of the Group over the identification of slow moving and obsolete inventories; • Attending physical inventory counting to identify the existence of any slow moving and obsolete inventories and to observe the physical conditions of inventories; • Evaluating the accuracy of the ageing analysis of the inventories, on a sample basis, by agreeing the ageing date to goods receipt notes; and • Assessing the reasonableness of net realisable values with reference to the selling prices subsequent to year end and current market conditions of the inventories. We found the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
Refer to note 15 to the consolidated financial statements.	
We identified the recoverability of trade receivables as a key audit matter due to the use of judgement and estimates by the management of the Group in the evaluation of the recoverability of trade receivables. As at 31 March 2018, the carrying amount of trade receivables was HK$20,931,000. As disclosed in note 15 to the consolidated financial statements, an amount of HK$82,000 was recognised as allowance for bad and doubtful debts during the year ended 31 March 2018 due to financial difficulties of the relevant debtors. As set out in note 4 to the consolidated financial statements, in determining the impairment loss on trade receivables, the management of the Group considers current creditworthiness and the past collection history of each debtor.	Our procedures in relation to the recoverability of trade receivables included: • Obtaining an understanding of and testing the management's key controls over credit control, debt collection and their assessment of impairment of trade receivables; • Evaluating the accuracy of the ageing report of trade receivables on a sample basis by agreeing the ageing date to sales invoices; • Assessing the reasonableness of allowance of trade receivables by examining the settlement records of the debtors with past due trade receivables; and • Checking subsequent settlements, on a sample basis, to the source documents including remittance advice and bank statements. We consider the management conclusion to be consistent with the available information.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 21 June 2017.

OTHER INFORMATION

The directors 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 auditor's report thereon. ("Other Information").

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 THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 the 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S 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 solely to you. We report our opinion 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

From the matters communicated with 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 auditor's 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 auditor's report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 28 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**194,137**	188,298
Cost of sales		**(146,150)**	(142,270)
Gross profit		**47,987**	46,028
Other income	6	**61**	–
Other gain and losses, net	6	**(149)**	(245)
Selling and distribution expenses		**(19,336)**	(17,433)
Administrative and other expenses		**(22,610)**	(12,932)
Listing expenses		**(2,075)**	(14,645)
Finance costs	8	**(57)**	(35)
Profit before taxation	9	**3,821**	738
Income tax expense	10	**(1,427)**	(2,562)
Profit/(loss) and total comprehensive income/(expense) for the year		**2,394**	(1,824)
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**2,394**	(1,824)
		HK Cents	HK Cents
Earnings/(loss) per share	12		
Basic		**0.21**	(0.23)

Consolidated Statement of Financial Position

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current Assents			
Property, plant and equipment	13	**3,012**	2,669
Finance lease receivable	14	**–**	24
Deposits paid for acquisition of property, plant and equipment	16	**595**	–
Rental and other deposits	16	**1,778**	1,671
		5,385	4,364
Current Assets			
Inventories – finished goods		**28,564**	9,797
Finance lease receivable	14	**24**	63
Trade receivables	15	**20,931**	18,550
Other receivables, deposits and prepayments	16	**1,458**	6,984
Amount due from a director	17	**–**	740
Tax recoverable		**1,135**	–
Bank balances and cash	18	**54,007**	15,219
		106,119	51,353
Current Liabilities			
Trade payables	19	**6,687**	5,540
Other payables and accrued charges	20	**2,402**	13,522
Bank borrowing	22	**–**	2,515
Tax payable		**–**	643
		9,089	22,220
Net current Assets		**97,030**	29,133
Net assets		**102,415**	33,497
Capital and reserves			
Share capital	21	**11,620**	156
Reserves		**90,795**	33,341
Equity attributable to owners of the Company		**102,415**	33,497

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2018 and signed on its behalf by:

Mr. Wong Siu Man *Director*	**Mr. Wong Siu Wa** *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company				
	Share capital	**Share premium**	**Other reserve**	**Accumulated profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2016	78	–	5,584	22,599	28,261
Loss and total comprehensive expense for the year	–	–	–	(1,824)	(1,824)
Issue of share capital of HFH Holdings (Note iii)	78	5,922	–	–	6,000
Transaction costs incurred directly attributable to issue of shares of HFH Holdings	–	(240)	–	–	(240)
Capital injection from a Shareholder (Note iii)	–	2,000	–	–	2,000
Dividend (Note 11)	–	–	–	(700)	(700)
At 31 March 2017 and 1 April 2017	156	7,682	5,584	20,075	33,497
Profit and total comprehensive income for the year	–	–	–	2,394	2,394
Placing and public offer of shares upon the listing (Note i)	2,800	61,600	–	–	64,400
Issue of shares upon exercise of over-allocation option for public offer and placing (Note i)	420	9,240	–	–	9,660
Transaction costs incurred directly attributable to issue of shares (Note i)	–	(7,536)	–	–	(7,536)
Capitalisation Issue (Note ii)	8,244	(8,244)	–	–	–
At 31 March 2018	11,620	62,742	5,584	22,469	102,415

Notes:

(i) In connection with the listing of the shares of the Company (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.

(ii) Pursuant to the resolutions passed at the extraordinary general meeting held on 27 March 2017, 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 Investments Limited ("Sky Alpha") and Trillion Advance Investments Limited ("Trillion Advance") immediately prior to the Listing (the "Capitalisation Issue"). The Capitalisation Issue was completed on 13 April 2017.

(iii) During the year ended 31 March 2017, HFH Holdings issued 1,600 shares to Trillion Advance at a consideration of HK$6,000,000 and 8,400 shares to Sky Alpha at nil consideration. Sky Alpha, the immediate holding company of the Company, injected HK$2,000,000 to the Group as shareholders' contribution in September 2016.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before taxation	**3,821**	738
Adjustments for:		
Interest income	**(47)**	–
Depreciation of property, plant and equipment	**1,198**	1,028
Allowance for bad and doubtful debts	**82**	245
Finance costs	**57**	35
Operating cash flows before movements in working capital	**5,111**	2,046
Increase in inventories	**(18,191)**	(2,122)
(Increase)/decrease in trade receivables	**(2,463)**	1,136
Increase in other receivables, deposits and prepayments	**(568)**	(1,995)
Increase/(decrease) in trade payables	**1,147**	(374)
Increase in other payables and accrued charges	**764**	12,150
Cash (used in)/generated from operations	**(14,200)**	10,841
Income tax paid	**(3,238)**	(2,396)
Net cash (used in)/generated from operating activities	**(17,438)**	8,445
Investing activities		
Interest received	**47**	–
Purchases of property, plant and equipment	**(1,541)**	(2,200)
Repayment from a finance lease receivable	**63**	63
Advance to a director	**–**	(740)
Repayment from director	**740**	–
Repayment from related companies	**–**	1,706
Acquisition of non-controlling interest of a subsidiary	**–**	(360)
Net cash used in investing activities	**(691)**	(1,531)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Financing activities		
Interest paid	(57)	(35)
Gross proceeds from issue of shares	74,060	6,000
Transaction costs incurred for issue of shares of HFH Holdings	–	(240)
Transaction costs incurred for issue of shares of the Company	(14,571)	(4,818)
Capital injection from a shareholder	–	2,000
Repayment to directors	–	(2,343)
New bank borrowing raised	–	3,000
Repayment of bank borrowing	(2,515)	(485)
Dividend paid	–	(700)
Net cash generated from financing activities	56,917	2,379
Net increase in cash and cash equivalents	38,788	9,293
Cash and cash equivalents at the beginning of the year	15,219	5,926
Cash and cash equivalents at end of the year, represented by bank balances and cash	54,007	15,219

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 the Growth Enterprise Market ("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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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 31 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 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.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
6 Effective for annual periods beginning on or 1 January 2021.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial instruments (continued)

Impairment

- In general, the directors also anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of HKFRS 9 by the Group. However, the directors do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact to the opening accumulated losses at 1 April 2018.

Except for abovementioned, the directors anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 March 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 Leases

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

Under HKAS 17, the Group has already recognised an asset for finance lease arrangement where the Group is a lessor. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases (continued)

Furthermore, extensive disclosures are required by HKFRS 16.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. As disclosed in Note 23, the Group's future minimum lease payments under non-cancellable operating leases for its leased premises amount to approximately HK$8,947,000 as at 31 March 2018. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result, but are expected that certain portion of the lease commitments will be regarded to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of HKFRS 2 Share based payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non controlling interests even if this results in the non controlling interests having a deficit balance

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after re assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Merger Accounting for Business Combination Involving Entities Under Common Control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger Accounting for Business Combination Involving Entities Under Common Control (continued)

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment Loss on Assets other than Financial Assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amount due from lessee under finance lease is recognised as receivables at the amount of the Group's net investment in the lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial Instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a director and related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate except for short term receivables where the recognition of interest would be insignificant.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re organisation

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the Group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortised cost

The Group's financial liabilities including trade payables, other payables and accrued charges, consideration payables, amount due to a director and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Employee Benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short term and other long 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 benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Related Parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(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) both entities 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); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(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 influence, or be influenced by, that person in their dealings with the entity.

Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Allowances for inventories

Management of the Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow moving inventory items. Management estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, the Group carries out an inventory review on a product by product basis at the end of the reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

No allowance for inventories are charged for the years ended 31 March 2018 and 2017. The carrying amounts of inventories, which are food and beverage grocery products, are HK$28,564,000 (2017: HK$9,797,000).

Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts performed by the management of the Group. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Allowance for bad and doubtful debts of HK$82,000 (2017: HK$245,000) are charged to profit or loss for the year ended 31 March 2018. As at 31 March 2018, the carrying amounts of trade receivables are HK$20,931,000 (2017: HK$18,550,000).

5. 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 HK$'000	2017 HK$'000
Commodities and cereal products (Note a)	54,259	54,750
Packaged food (Note b)	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 (Note c)	7,429	6,123
	194,137	188,298

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 3. 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.

6. OTHER INCOME AND GAIN AND LOSSES, NET

Other income

	2018 HK$'000	2017 HK$'000
Interest income	47	–
Sundry income	14	–
	61	–

Other gain and losses, net

	2018 HK$'000	2017 HK$'000
Exchange loss	(67)	–
Allowance for bad and doubtful debts	(82)	(245)
	(149)	(245)

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Wong Siu Man, Mr. Wong Siu Wa, Mr. Yip Kam Cheong ("Mr. Jeremy Yip") and Mr. Wong Chun Hung, Hanson ("Mr. Hanson Wong") were appointed as directors of the Company on 29 September 2016. The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors of the Group entities prior to becoming the directors of the Company) by the entities comprising the Group during the year, were as follows:

For the year ended 31 March 2018

	Mr. Wong Siu Man HK$'000 (Note a)	Mr. Wong Siu Wa HK$'000 (Note a)	Mr. Jeremy Yip HK$'000 (Note a)	Mr. Hanson Wong HK$'000 (Note a)	Mr. Wong Garrick Jorge Kar Ho HK$'000 (Note b)	Mr. Chan Shing Yim David HK$'000 (Note b)	Mr.To Yan Ming Edmond HK$'000 (Note b)	Total HK$'000
Fee	–	–	162	46	120	120	120	568
Other emoluments	145	145	–	–	–	–	–	290
Salaries and other benefits	1,200	1,200	585	–	–	–	–	2,985
Retirement benefit scheme contributions	18	18	26	–	–	–	–	62
Total emoluments	1,363	1,363	773	46	120	120	120	3,905

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

Year ended 31 March 2017

	Mr. Wong Siu Man HK$'000 (Note a)	Mr. Wong Siu Wa HK$'000 (Note a)	Mr. Jeremy Yip HK$'000 (Note a)	Mr. Hanson Wong HK$'000 (Note a)	Mr. Wong Garrick Jorge Kar Ho HK$'000 (Note b)	Mr. Chan Shing Yim David HK$'000 (Note b)	Mr.To Yan Ming Edmond HK$'000 (Note b)	Total HK$'000
Fee	–	–	–	–	–	–	–	–
Other emoluments	–	–	–	–	–	–	–	–
Salaries and other benefits	540	540	586	–	–	–	–	1,666
Retirement benefit scheme contributions	18	18	18	–	–	–	–	54
Total emoluments	558	558	604	–	–	–	–	1,720

Notes:

(a) The emoluments of these directors were mainly for their services in connection with management of the affairs of the Company and its subsidiaries.

(b) Mr. Wong Garrick Jorge Kar Ho, Mr. Chau Shing Yim David and Mr. To Yan Ming Edmond were appointed as independent non-executive directors of the Company on 27 March 2017. The emoluments of the independent non-executive directors were mainly for their services in connection with management of the affairs of the Company.

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any remuneration during both years.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals included three (2017: two) directors of the Company whose emoluments are included in the disclosures in (a) above for the year ended 31 March 2018. The emoluments of the remaining two (2017: three) individuals for the year ended 31 March 2018 were as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	1,523	2,115
Bonus (Note)	80	16
Retirement benefit scheme contributions	36	54
	1,639	2,185

Their emoluments were within the following bands:

	2018 Number of employees	2017 Number of employees
Nil to HK$1,000,000	2	3

Note: Performance bonus is determined by reference to the duties and responsibilities of relevant individual within the Group and the Group's performance.

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on bank borrowing	57	35

9. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 7)	3,905	1,720
Other staff costs		
Salaries and other benefits	9,017	6,683
Retirement benefits scheme contributions	331	271
Total staff costs	13,253	8,674
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	146,150	142,270

10. INCOME TAX EXPENSE

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

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

10. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2018 HK$'000	2017 HK$'000
Profit before taxation	3,821	738
Tax at the domestic income tax rate	630	121
Tax effect of income not taxable for tax purpose	(23)	–
Tax effect of expenses not deductible for tax purpose	901	2,510
Overprovision in prior years	(18)	(44)
Others	(63)	(25)
Tax charge for the year	1,427	2,562

11. DIVIDEND

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

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

12. 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 HK$'000	2017 HK$'000
Earnings/(loss):		
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share		
– Profit/(loss) for the year attributable to owners of the Company	2,394	(1,824)

12. EARNINGS/(LOSS) PER SHARE (continued)

	2018 '000	2017 '000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**1,128,926**	804,462

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.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2016	1,702	484	1,101	–	3,287
Additions	1,637	144	419	–	2,200
At 31 March 2017 and 1 April 2017	3,339	628	1,520	–	5,487
Additions	148	100	586	707	1,541
At 31 March 2018	**3,487**	**728**	**2,106**	**707**	**7,028**
Accumulated depreciation					
At 1 April 2016	959	213	618	–	1,790
Provided for the year	628	179	221	–	1,028
At 31 March 2017 and 1 April 2017	1,587	392	839	–	2,818
Provided for the year	519	158	326	195	1,198
At 31 March 2018	**2,106**	**550**	**1,165**	**195**	**4,016**
Carrying amounts					
At 31 March 2018	**1,381**	**178**	**941**	**512**	**3,012**
At 31 March 2017	1,752	236	681	–	2,669

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	Over shorter of lease terms or four years
Plant and machinery	30%
Furniture and fixtures	20%
Motor vehicles	30%

14. FINANCE LEASE RECEIVABLE

A motor vehicle of the Group is leased out to a third party under finance lease. The interest rate inherent in the lease is fixed at the contract date over the lease term.

	2018 HK$'000	2017 HK$'000
Presented as non-current asset	–	24
Presented as current asset	24	63
	24	87

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Finance lease receivable comprises:				
Within one year	24	63	24	63
In more than one year but not more than two years	–	24	–	24
In more than two years but not more than five years	–	–	–	–
	24	87	24	87
Less: unearned finance income	–	–	N/A	N/A
Present value of minimum lease payment receivable	24	87	24	87

15. 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.

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

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:

	2018	2017
	HK$'000	HK$'000
Impairment losses recognised	**82**	245
Amounts written off as uncollectible	**(82)**	(245)
Balance at the end of the year	**–**	–

15. TRADE RECEIVABLES (continued)

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 HK$'000	2017 HK$'000
Within 90 days	138	239
Over 90 days	–	146
	138	385

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.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
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
	3,831	8,655
Presented as non-current assets	2,373	1,671
Presented as current assets	1,458	6,984
	3,831	8,655

17. AMOUNT DUE FROM A DIRECTOR

The amount is unsecured, interest free and is repayable on demand.

Detail of amount due from a director, which is non-trade nature, is as follows:

			Maximum amount outstanding	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Name				
Mr. Wong Siu Man	–	740	740	740

18. BANK BALANCES AND CASH

Cash and cash equivalents consist of cash on hand and balance with banks. Bank balances carry interest at market rates ranged from 0% to 0.0002% (2017: 0% to 0.0001%) per annum as at 31 March 2018.

19. 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 **HK$'000**	2017 HK$'000
0 – 30 days	**6,351**	5,537
31 – 60 days	**336**	3
	6,687	5,540

20. OTHER PAYABLES AND ACCRUED CHARGES

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

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

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'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.

21. SHARE CAPITAL (continued)

(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

22. BANK BORROWING

	2018 HK$'000	2017 HK$'000
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
	–	2,515

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.

23. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**5,698**	3,695
In the second to fifth year inclusive	**3,249**	2,520
	8,947	6,215

The above operating lease payments represents rental payable by the Group for office premises and warehouses for the year. Leases are negotiated for lease term of three to four years and rentals are fixed over the relevant lease term. The lease agreement entered into between the landlord and the Group includes a renewal option for a further three years from the end of the lease without a predetermined rental. Accordingly, this is not included in the above commitment.

24. RELATED PARTY TRANSACTIONS

Details of the balances with a director and related companies at the end of the reporting period are disclosed in the consolidated statement of financial position, consolidated statements of cash flows and note 17 to the consolidated financial statements.

During the years ended 31 March 2017, Fortress Day pledged a property ("Fortress Day's Pledge) and Mr. Wong Siu Man and Mr. Wong Siu Wa provided unlimited personal guarantees to a bank, which granted a banking facility to the Group. Fortress Day's Pledge was released on 31 October 2016. The unlimited personal guarantees provided by Mr. Wong Siu Man and Mr. Wong Siu Wa were released upon the listing of the Company's shares during the year ended 31 March 2018.

24. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year ended 31 March 2018 were as follows:

	2018 HK$'000	2017 HK$'000
Short term benefits	7,056	3,943
Post employment benefits	164	129
	7,220	4,072

25. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount was HK$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 9.

26. SETTLEMENT GUARANTEE

As at 31 March 2018, settlement guarantee of HK$420,000 (2017: HK$420,000) was given by a bank in favour of the Group's supplier. If the Group fails to settle its trade payables to the supplier, such supplier may demand the bank to pay to it the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The settlement guarantee will be released only if (i) the Group settles all its trade payables outstanding to the supplier and (ii) submits a request to cancel the settlement guarantee to the bank. The settlement guarantee was granted under the banking facility with the Company as the guanrantor.

27. SHARE OPTION SCHEME

The Company conditionally operates a share option scheme ("Share Option Scheme") for the purpose of attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group. The Share Option Scheme was adopted on 21 September 2011 and, unless otherwise terminated by ordinary resolution in general meeting or the board of directors, will remain in full force for ten years from that date.

The eligible persons of the Share Option Scheme include directors, employee, consultants or advisers and any other person has contributed to the Group (the "Eligible Persons").

The subscription price of the share options shall be a price determined by the board of directors and shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

The amount payable by the grantee to the Company on acceptance of the offer shall be a non-refundable payment of HK$1.00 (or such other sum in any currency as the Board may determine).

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company unless approved in advance by the Shareholders of the Company in general meeting with such eligible person and his close associates or his associates abstaining from voting.

As at 31 March 2018, no share option has been granted or agreed to be granted under the share option scheme.

28. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Class of shares held	Place of incorporation/ registration and business	Issued and fully paid share capital	Percentage of equity attributable to the Company 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect	Principal activities
Hung Fat Ho Holdings Limited	Ordinary	BVI, limited liability company	US$20,000	100%	–	100%	–	Investment holding
Hung Fat Ho Food Limited	Ordinary	HK, limited liability company	HK$5,000,000	–	100%	–	100%	Trading and distribution of food and beverage grocery products
Ongo Food Limited	Ordinary	HK, limited liability company	HK$500,000	–	100%	–	100%	Trading and distribution of food and beverage grocery products
Eagle Food Limited	Ordinary	HK, limited liability company	HK$500,000	–	100%	–	100%	Trading and distribution of food and beverage grocery products
Lofty Idea Limited	Ordinary	BVI, limited liability company	US$10,000	–	100%	–	100%	Holding of trademark and other intellectual property rights for the Group

None of the subsidiaries has issued any debt securities at the end of the year.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt and equity of the Group, comprising issued share capital, other reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments:

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	75,068	36,277
Financial liabilities		
At amortised cost	9,089	21,577

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, deposits and prepayments, finance lease receivable, amount due from a director, bank balances and cash, trade payables, other payables and accrued charges and bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has foreign currency purchases, which accounted for 7% (2017: 8%) of the Group's purchase during the year ended 31 March 2018 which exposes the Group to foreign currency risk. Certain bank balances of the Group are denominated in foreign currencies, i.e. Euro ("EUR") and US$. The carrying amounts of the Group's bank balances denominated in foreign currencies at the end of the reporting period are as follows:

	Bank balances	
	2018 HK$'000	2017 HK$'000
EUR	36	109
US$	1	776

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Since the exchange rate of HK$ is pegged to US$, the Group does not expect significant movement in the US$/HK$ exchange rate, therefore US$ is not considered in the sensitivity analysis.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Currency risk (continued)

Sensitivity analysis is prepared to demonstrate the effect of foreign exchange differences by 10% change in exchange rate of HK$ against EUR, assuming all other variables were held constant. A positive number below indicates an increase in post tax profit (2017: a decrease in post tax loss) where HK$ strengthen 10% against EUR. For a 10% weakening of the HK$ against EUR, there would be an equal and opposite impact on the results for the year.

	2018 **HK$'000**	2017 HK$'000
Increase in post-tax profit (2017: decrease in post-tax loss) for the year	**3**	9

Interest rate risk

The Group is exposed to cash flow interest rate risk in bank balances (note 18) as at 31 March 2018 and 2017 and variable rate bank borrowing (note 22) as at 31 March 2017.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

As at 31 March 2018, the only interest-bearing bank borrowing was early repaid and no sensitivity analysis has been prepared.

The sensitivity analysis below have been determined based on the exposure to interest rate for bank borrowing as at 31 March 2017. The analysis is prepared assuming the bank borrowing outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in bank borrowing are used represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable rate bank balances is insignificant.

If interest rate of bank borrowing had been 50 basis points higher/lower and all other variables were held constant, the Group's post tax loss for the year ended 31 March 2017 would increase/decrease by HK$11,000.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, finance lease receivable, amounts due from a director and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Management of the Group adopted a policy on providing credit facilities to new customers. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis. Management of the Group has delegated a team responsible for monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on trade receivables is limited because the Group has large number of customers.

The credit risk for bank balances is considered as not material as such amount is placed in banks with good reputation.

As at 31 March 2017, the Group had concentration of credit risk in respect of amount due from a director. In order to minimise the credit risk, the Group's management continuously monitored the settlement status and the level of exposure to ensure that follow up action was taken to recover overdue debts. Under such circumstances, the Group's management considered that the Group's credit risk was not material.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non derivative financial liabilities are based on the agreed repayment dates.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 31 March 2018

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 1 to 3 months HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non derivative financial liabilities					
Trade payables	N/A	–	6,687	6,687	6,687
Other payables and accrued charges	N/A	2,402	–	2,402	2,402
		2,402	6,687	9,089	9,089

As at 31 March 2017

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 1 to 3 months HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non derivative financial liabilities					
Trade payables	N/A	–	5,540	5,540	5,540
Other payables and accrued charges	N/A	13,522	–	13,522	13,522
Bank borrowing	3.75	2,515	–	2,515	2,515
		16,037	5,540	21,577	21,577

Fair value of financial instruments

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Bank Borrowing (Note 22) HK$'000
At 1 April 2017	2,515
Changes from financing cash flows	
Repayment of bank borrowing	(2,515)
Interest paid	(57)
Total changes from financing cash flows	
Finance cost (Note 8)	57
At 31 March 2018	–

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investment in subsidiaries	32,122	32,122
Current assets		
Prepayments, deposits and other receivables	143	4,818
Amounts due from subsidiaries	39,171	–
Bank balances and cash	7,290	–
	46,604	4,818
Current liabilities		
Other payables and accruals	251	11,247
Amounts due to subsidiaries	–	8,216
	251	19,463
Net current assets/(liabilities)	46,353	(14,645)
Net assets	78,475	17,477
Capital and reserves		
Share capital	11,620	156
Reserves (Note)	66,855	17,321
Total equity	78,475	17,477

The financial statements were approved and authorized for issue by the board of directors on 28 June 2018 and signed on behalf by:

Mr. Wong Siu Man	**Mr. Wong Siu Wa**
Director	*Director*

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note:

The movements of the reserves are as follows:

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 29 September 2016 (date of incorporation)	–	–	–	–
Total comprehensive loss for the period	–	–	(14,645)	(14,645)
Reserve arising from Reorganisation	–	29,966	–	29,966
Capital injection from a shareholder	2,000	–	–	2,000
At 31 March 2017	2,000	29,966	(14,645)	17,321
At 1 April 2017	2,000	29,966	(14,645)	17,321
Total comprehensive loss for the year	–	–	(5,526)	(5,526)
Placing and public offer of shares upon the listing	61,600	–	–	61,600
Issue of shares upon exercise of over-allocation option for public offer and placing	9,240	–	–	9,240
Transaction cost incurred directly attributed to issue of shares	(7,536)	–	–	(7,536)
Capitalisation issue	(8,244)	–	–	(8,244)
At 31 March 2018	57,060	29,966	(20,171)	66,855

33. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2018.

Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of the Group:

RESULTS

	Year ended 31 March			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated results summary				
Revenue	**194,137**	188,298	183,744	156,211
Profit before taxation	**3,821**	738	14,585	11,317
Income tax expense	**(1,427)**	(2,562)	(2,344)	(1,867)
Profit/(loss) and total comprehensive income/ (expense) for year	**2,394**	(1,824)	12,241	9,450
Profit/(loss) and total comprehensive income/ (expense) for year attributable to:				
– Owners of the Company	**2,394**	(1,824)	12,056	9,040
– Non-controlling interests	**–**	–	185	410
	2,394	(1,824)	12,241	9,450

ASSETS AND LIABILITIES

	As at 31 March			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**5,385**	4,364	2,348	2,433
Current assets	**106,119**	51,353	36,379	26,994
Current liabilities	**(9,089)**	(22,220)	(10,466)	(8,687)
Total net assets	**102,415**	33,497	28,261	20,740
Equity attributable to:				
Owners of the Company	**102,415**	33,497	28,261	20,243
Non-controlling interests	**–**	–	–	497
Total equity	**102,415**	33,497	28,261	20,740