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**Asia Grocery Distribution Limited**

**亞洲雜貨有限公司**

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

**(Stock code: 8413)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Asia Grocery Distribution Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries for the year ended 31 March 2023. This announcement, containing the full text of the 2023 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited in relation to information to accompany the preliminary announcement of annual results.

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

Hong Kong, 26 June 2023

*As at the date of this announcement, the executive Directors are Mr. Wong Siu Man (Chairman), Mr. Wong Siu Wa (Chief Executive Officer) and Mr. Yip Kam Cheong (Compliance Officer), the non-executive Director is Mr. Wong Chun Hung Hanson and the independent non-executive Directors are Mr. Ng Fan Kay Frankie, Mr. Wang Zhaobin and Ms. Chan Hoi Yee.*

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

*This announcement will remain on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at [www.agdl.com.hk](http://www.agdl.com.hk).*



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**ANNUAL  
REPORT  
2023**



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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange takes no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.*





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# 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

Ms. Chan Hoi Yee

Mr. Ng Fan Kay Frankie

Mr. Wang Zhaobin

## AUDIT COMMITTEE

Mr. Ng Fan Kay Frankie (*Chairman*)

Ms. Chan Hoi Yee

Mr. Wang Zhaobin

## REMUNERATION COMMITTEE

Mr. Wang Zhaobin (*Chairman*)

Ms. Chan Hoi Yee

Mr. Ng Fan Kay Frankie

## NOMINATION COMMITTEE

Ms. Chan Hoi Yee (*Chairlady*)

Mr. Ng Fan Kay Frankie

Mr. Wang Zhaobin

## COMPLIANCE OFFICER

Mr. Yip Kam Cheong

## COMPANY SECRETARY

Ms. Lau Yin Ping

## AUTHORISED REPRESENTATIVES

Mr. Wong Siu Man

Ms. Lau Yin Ping

## REGISTERED OFFICE

PO Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Whole of Upper Ground Floor

Mai Tong Industrial Building

No.22 Sze Shan Street

Kowloon, Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suites 3301-04, 33/F., Two Chinachem Exchange Square

338 King's Road

North Point, Hong Kong

## AUDITOR

McMillan Woods (Hong Kong) CPA Limited

24/F, Siu On Centre

188 Lockhart Road

Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO Box 1093

Boundary Hall

Cricket Square

Grand Cayman KY1-1102

Cayman Islands

## PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

Nanyang Commercial Bank, Limited

## COMPANY'S WEBSITE

[www.agdl.com.hk](http://www.agdl.com.hk)

## STOCK CODE

8413



## Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2023.

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 Census and Statistics Department of the Government of the Hong Kong Special Administrative Region, the total retail sales value of April 2022 to March 2023 was approximately HK\$369.9 billion, representing a year-on-year increase of approximately 6.9% or HK\$23.8 billion. The recovery of inbound tourism and private consumption should continue to benefit the retail sector. The Group expects that its results of the coming year will improve.

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 customers' preference and catering to such preference.

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, 26 June 2023



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Wong Siu Man (黃少文)**, aged 50, 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 the controlling shareholders of the Company (as defined in the GEM Listing Rules). Mr. Wong Siu Man is a director of Sky Alpha Investments Limited, a company which has an interest in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). 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 54, 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 the controlling shareholders of the Company. Mr. Wong Siu Wa is a director of Sky Alpha Investments Limited, a company which has an interest in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). Mr. Wong Siu Wa is primarily responsible for the Group’s day-to-day management and operations and focuses on implementing the objectives, policies and strategies. 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 48, 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.



# Biographical Details of Directors and Senior Management

## NON-EXECUTIVE DIRECTOR

**Mr. Wong Chun Hung Hanson (黃俊雄) (“Mr. Hanson Wong”)**, aged 49, was appointed as a non-executive Director with effect from 29 September 2016. Mr. Hanson Wong has over 19 years of industry experience in the finance industry. Mr. Hanson Wong has been an executive director of Seazen Resources Capital Group Limited since 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 (創會會長) of the Kowloon City District Kindergarten Heads Association from August 2018 to July 2020, as the 副理監事長 of the Shamshuipo Kaifong Welfare Advancement Association with effect from January 2019, as the regional commander, Hong Kong & Islands (總區指揮官) of the Hong Kong Road Safety Patrol with effect from May 2019 and as the 17th, 18th and 20th chairman of the Hong Kong Precious Metals Traders Association Limited in May 2014, August 2016 and January 2020 respectively. He was a committee member (理監事) of the Chinese Gold & Silver Exchange Society (金銀業貿易場) since January 2021. He was also appointed as the 40th term board of directors of Yan Oi Tong from April 2019 to March 2020, as the chairman of Hong Kong WuYi Youth Association since 2019, as the president of Resources Capital Football Club with effect from July 2016, 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 Scout Association of Hong Kong, Kowloon City District in July 2013 and July 2015, as the chairman of the Scout Association of Hong Kong, Kowloon District from July 2020 to July 2022, as the vice president of Association of International Certified Financial Consultants in October 2016, as a committee member of the Sham Shui Po Central and South Area Committee (深水埗中南分區委員) and as a committee member of the third Guangzhou Conghua District Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議第三屆廣州市從化區委員會委員) with effect from March 2023.

Mr. Hanson Wong completed his secondary education at Munsang College in July 1990. He 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 SFO.



# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ng Fan Kay Frankie (吳奮基) (“Mr. Ng”)**, aged 46, has over 20 years of experience in auditing, taxation and financial management and had been appointed as an independent non-executive Director with effect from 31 August 2018. Mr. Ng is also the chairman of our audit committee and a member of our remuneration committee and our nomination committee. Mr. Ng has been appointed as the Managing Director of Smartac International Holdings Limited (stock code: 0395) from January 2020 to August 2021.

Mr. Ng obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University in 1999. He has been a member of Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a Certified Tax Advisor of The Taxation Institute of Hong Kong since November 2009 and September 2010, respectively.

Mr. Ng was the executive director of a leading corporate services provider, Vistra Services (Hong Kong) Limited, from May 2013 to June 2018 and was responsible for managing the Greater China business on company formation, corporates services, accounting, payroll and tax services for different jurisdictions including Hong Kong, PRC and offshore. From February 2007 to March 2013, he worked as a tax manager in Ernst and Young Tax Services Limited, an international accounting firm and has extensive experience in accounting and taxation.

**Mr. Wang Zhaobin (王兆斌) (“Mr. Wang”)**, aged 38, was appointed as an independent non-executive Director with effect from 27 November 2019. Mr. Wang is currently also the chairman of our remuneration committee and a member of our audit and nomination committee. Mr. Wang graduated from Shangqiu Normal University with a bachelor’s degree in 2007. Mr. Wang has extensive experience in strategic planning and operation management. He has held senior managerial positions in sizeable corporations in the People’s Republic of China.

**Ms. Chan Hoi Yee (陳愷兒) (“Ms. Chan”)**, aged 37, was appointed as an independent non-executive Director with effect from 12 October 2020. Ms Chan is also the chairlady of our nomination committee and a member of our audit committee and remuneration committee. Ms. Chan graduated from the City University of Hong Kong with a bachelor degree of business administration in 2007. Ms. Chan is a member of the HKICPA. Ms. Chan has over 10 years’ experience in auditing, commercial accounting and financial reporting. She had held accounting positions in several international accounting firms in Hong Kong.



# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Ms. Chan Lai In (陳麗妍) (“Ms. Sydney Chan”)**, aged 36, 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 2008. Ms. Sydney Chan is a member of the HKICPA since January 2012. She has extensive experience in accounting, auditing, taxation and initial public offer.

**Mr. Wong Chun Fung (黃鎮鋒) (“Mr. Alex Wong”)**, aged 39, has joined our Group as a sales manager since December 2010. Mr. Alex Wong is primarily responsible for managing key customer accounts. Mr. Alex Wong has over 10 years of experience in food and beverage industry. Mr. Alex 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. Lau Yin Ping (劉燕萍) (“Ms. Lau”)**, aged 40, has joined our Group in August 2018 and was appointed as our company secretary. Ms. Lau is primarily responsible for overseeing the company secretarial matters of our Group. Ms. Lau graduated from the Queensland University of Technology in Australia in 2006 with a Bachelor of Business degree in accountancy. Ms. Lau become a member of the HKICPA in 2012.



# 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 and hygiene products.

On 13 April 2017, the shares of the Company (the "Share") were successfully listed on GEM (the "Listing"). The Group's business model, revenue structure and cost structure basically remain unchanged after the Listing.

Since the outbreak of the Coronavirus Disease ("COVID-19") at the start of January 2020, the global business environment has been adversely affected. In late December 2021, Hong Kong has confirmed its first community transmission of the Omicron-variant of COVID-19, which is rumored to spread multiple times faster than previous major strains, therefore, social distancing rules in Hong Kong have been tightened again since 7 January 2022. The closure requirements on catering businesses and scheduled premises caused a revenue contraction to the Group in the first quarter of 2022, in line with the experience from prior lockdowns.

With the government's financial stimulus through consumption vouchers and the easing of the pandemic situation in Hong Kong since April 2022, the business of the Group recorded a rebound. Further, the government removed almost all anti-epidemic measures in December 2022 and reopened the city's border with mainland China in January 2023, our sales rose dramatically by comparison with the previous year. Based on the audited financial information of our Group, our revenue was approximately HK\$286,244,000 for the year ended 31 March 2023, representing an increase of approximately 18.6% as compared to approximately HK\$241,372,000 in the corresponding period of 2022.

The Directors are optimistic that 2023 will be a year of recovery for the Hong Kong economy. The Group will closely monitor the market conditions and seek suitable business opportunities to expand our business. The Directors expect that the competition of the market will be intense and the Group will devote more resources to sales and marketing activities and actively facilitate the business development of new products.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2023 and 2022:

	2023 HK\$'000	2022 HK\$'000	Change %
Commodities and cereal products	90,276	71,918	25.5%
Packaged food	57,777	52,999	9.0%
Sauce and condiment	57,329	48,924	17.2%
Dairy products and eggs	36,179	31,205	15.9%
Beverage and wine	23,364	16,287	43.4%
Kitchen and hygiene products	21,319	17,564	21.4%
Restaurants operation	-	2,475	-100%
	<b>286,244</b>	<b>241,372</b>	<b>18.6%</b>

During the years ended 31 March 2023 and 2022, commodities and cereal products, packaged food and sauce and condiment were the major food and beverage grocery categories sold by us, in aggregate, accounting for approximately 71.8% and 72.0% respectively, of our total revenue.

Our sales of commodities and cereal products, which is our largest contributing product types for the year ended 31 March 2023 and 2022, increased by approximately 25.5% for the year ended 31 March 2023 as compared to the previous year mainly due to increased orders received from customers as a result of the revenue rebound since April 2022. Revenue generated from sales of commodities and cereal products for the years ended 31 March 2023 and 2022 accounted for approximately 31.5% and 29.8% of our total revenue respectively.

Revenue generated from sales of packaged food accounted for approximately 20.2% and 22.0% of our total revenue respectively for the years ended 31 March 2023 and 2022. Sales of packaged food increased by approximately 9.0% for the year ended 31 March 2023 as compared to the previous year mainly due to increased orders received for steady growth of existing products.

Also, revenue generated from sales of sauce and condiment and sales of dairy products and eggs increased by approximately 17.2% and 15.9% for the year ended 31 March 2023 as compared to the previous year mainly due to increased demand from customers.



## Management Discussion and Analysis

Our sales of beverage and wine increased sharply by approximately 43.4% for the year ended 31 March 2023 as compared to the previous year and our sales of kitchen and hygiene products increased by approximately 21.4% for the year ended 31 March 2023 as compared to the previous year. In August 2022, the Group signed a contract with an independent third party in which the Group supplies stock and provides warehouse, office, sales consultancy and logistic support to the independent third party, in return, the independent third party gives 12% of its sales revenue to the Group. The customers of that independent third party mainly purchase soft drinks and kitchen and hygiene products, e.g. towel and rubbish bags, which contribute to the sharp increase in our sales of beverage and wine and kitchen and hygiene products during the current year.

Revenue generated from sales of our food and beverage products generally increased for the year ended 31 March 2023 as compared to the previous year. With the gradual relaxation of government's social distancing measures and the distribution of consumption vouchers by the government since April 2022, there was an increase in the overall customer traffic of restaurants. Our customers ordered more food and beverage products from us to cope with the increased demand. Sales demand for our food and beverage products from local restaurants, hotels and private clubs increased dramatically during the current period.

The Group opened its first restaurant in Tsim Sha Tsui in April 2021. However, due to the pandemic situation in Hong Kong during 2021, the Directors decided to close down the restaurant in Tsim Sha Tsui in March 2022.

### 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\$36,389,000 or approximately 19.9% to approximately HK\$219,429,000 for the year ended 31 March 2023 as compared to approximately HK\$183,040,000 for the year ended 31 March 2022, mainly due to the increased sales volumes.

### Gross profit and gross profit margin

The Group's gross profit increased by approximately 14.5% from approximately HK\$58,332,000 for the year ended 31 March 2022 to approximately HK\$66,815,000 for the year ended 31 March 2023. The increase in gross profit was mainly due to the increased revenue resulted from the easing COVID-19 restrictions. For the year ended 31 March 2023, the Group's gross profit margin decreased slightly to 23.3% as compared with previous year at 24.2%.

### Other income

Other income represented interest income from bank deposits, rent concessions, government grant, handling fee and sundry income. Other income increased from approximately HK\$272,000 for the year ended 31 March 2022 to approximately HK\$4,557,000 for the year ended 31 March 2023 mainly due to the receipt of handling fee of approximately HK\$2,731,000 from an independent third party and government grant during the current year. During the year ended 31 March 2023, the Group received government grant of approximately HK\$1,501,000 from the Employment Support Scheme and the Catering Business Subsidy Scheme launched by the government. The two schemes aimed at providing time-limited financial support to employers to retain their employees who will otherwise be made redundant and providing relief to the sectors directly affected by the tightened social distancing measures. No such government grant was received in the previous year.



# Management Discussion and Analysis

## Other gain and losses, net

The Group recorded net other losses of approximately HK\$4,860,000 for the year ended 31 March 2023 which was mainly attributable to the loss on disposal of items of property, plant and equipment and written off of bad debts. In March 2023, \$4,450,000 trade receivable from a long outstanding debtor was written off as bad debt. In May 2022, the Group sold a motor vehicle to an independent third party at a loss of approximately HK\$417,000. In October 2022, the Group sold a fully depreciated motor vehicle at HK\$68,000 to another independent third party. During the year ended 31 March 2022, the Group closed down the restaurant in Tsim Sha Tsui in March 2022 and sold all the property, plant and equipment to a third party at a loss of approximately HK\$447,000.

## 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 and entertainment expenses. The increase of selling and distribution expenses of the Group were in line with the revenue increment and were mainly due to the increase in commission and bonus to sales persons. The selling and distribution expenses accounted for approximately 12.1% and 11.9% of the total revenue for the years ended 31 March 2023 and 2022 respectively.

## Administrative expenses

For the year ended 31 March 2023, the Group's administrative expenses primarily comprised staff costs for administrative and management personnel, directors' remuneration, legal and professional fees, depreciation on property, plant and equipment and depreciation on right-of-use assets. Administrative expenses increased from approximately HK\$30,567,000 for the year ended 31 March 2022 to approximately HK\$35,152,000 for the year ended 31 March 2023. The increase of administrative expenses of the Group was mainly due to the increase in legal and professional fees, increase in directors' remuneration and increase in depreciation on right-of-use assets for the newly rented Tuen Mun warehouse since September 2021, partially offset by the decrease in depreciation on property, plant and equipment and decrease in cleaning expenses.

## Finance costs

Finance costs amounted to approximately HK\$699,000 for the year ended 31 March 2023, increased by approximately HK\$200,000 as compared to approximately HK\$499,000 for the year ended 31 March 2022. Finance costs of the Group represented interest expenses on lease liabilities. The increase was mainly due to the increased interest expenses incurred for the newly rented Tuen Mun warehouse since September 2021.

## Income tax expense

For the years ended 31 March 2023 and 2022, our income tax expense were approximately HK\$468,000 and HK\$599,000, respectively.



# Management Discussion and Analysis

## Loss and total comprehensive loss attributable to owners of the Company

For the year ended 31 March 2023 and 2022, the Group's loss and total comprehensive loss attributable to owners of the Company was approximately HK\$4,408,000 and HK\$2,137,000. The increase of loss and total comprehensive loss attributable to owners of the Company was mainly attributable to written off of bad debts, increase in commission expenses to sales persons and increase in legal and professional fees, partially offset by increase in revenue, increase in receipt of government grant, decrease in depreciation on property, plant and equipment and decrease in cleaning expenses.

## 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 2023 (year ended 31 March 2022: nil).

No shareholder of the Company has waived or agreed to waive any dividends during the year.

## Trade and other receivables

Trade receivables increased by approximately 7.6% from approximately HK\$36,907,000 as at 31 March 2022 to approximately HK\$39,695,000 as at 31 March 2023. The increase was mainly attributable to the increased sales demand near the year end as the government reopened the city's border with mainland China in January 2023. Our customers ordered more food and beverage products from us near the year end to avoid shortage of stocks during the Easter holidays.

Other receivables, deposits and prepayment decreased by approximately HK\$2,218,000 from approximately HK\$6,346,000 as at 31 March 2022 to approximately HK\$4,128,000 as at 31 March 2023. The decrease was mainly due to the decrease in prepayment to suppliers near the year end.

## Trade and other payables

Trade payables increased from approximately HK\$9,524,000 as at 31 March 2022 to approximately HK\$11,989,000 as at 31 March 2023. The increase was mainly due to the increased purchase near year end in view of the increase in sales demand and potential increase in price of the inventory purchased after March 2023.

Other payables and accrued charges increased by approximately HK\$3,345,000 from approximately HK\$3,088,000 as at 31 March 2022 to approximately HK\$6,433,000 as at 31 March 2023. The increase was mainly due to the increase in salaries and bonus payable to sales persons and increase in accrued legal and professional fees.



# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, bank balances and cash of the Group amounted to approximately HK\$35,533,000 (as at 31 March 2022: approximately HK\$29,797,000). The current ratios (current asset divided by current liabilities) of the Group were approximately 4.5 times and 6.8 times as at 31 March 2023 and 31 March 2022 respectively. 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 from the Listing. The remaining unused net proceeds as at 31 March 2023 were placed as interest bearing deposits with licensed bank in Hong Kong.

## CAPITAL STRUCTURE

The Shares were successfully listed on GEM 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 2023, 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 (lease liabilities arising from leased properties) of the Group as at 31 March 2023 was approximately HK\$19,789,000 (31 March 2022: approximately HK\$8,467,000). The Group's gearing ratio as at 31 March 2023 was approximately 20.4% (as at 31 March 2022: approximately 8.3%), which is calculated as the Group's total borrowing over the Group's total equity.





# Management Discussion and Analysis

## **CAPITAL EXPENDITURE**

During the year ended 31 March 2023, the Group invested approximately HK\$3,460,000 (during the year ended 31 March 2022: approximately HK\$2,266,000) in property, plant and equipment, mainly represented additions of motor vehicle of approximately HK\$3,295,000. In view of the increased sales order, the Group purchased more vans to facilitate delivery of products to customers during the current year.

## **CAPITAL COMMITMENTS**

As at 31 March 2023, the Group had no significant capital commitments (as at 31 March 2022: nil).

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

There were no charges on Group's assets as at 31 March 2023 and 2022.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the year ended 31 March 2023, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries, associates and joint venture.

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

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

## **CONTINGENT LIABILITIES**

As at 31 March 2023, the Group did not have any significant contingent liabilities (as at 31 March 2022: nil).

## **INFORMATION ON EMPLOYEES**

As at 31 March 2023, the Group employed 76 employees (as at 31 March 2022: 59 employees) with total staff cost of approximately HK\$27,877,000 incurred for the year ended 31 March 2023 (for the year ended 31 March 2022: approximately HK\$21,427,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.



# Management Discussion and Analysis

## 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) amounted to approximately HK\$48,500,000. Following the Listing, in response to changing business environment and business development requirement of the Group, the Board has resolved to change the use of the unutilised net proceeds to deploy its financial resources more efficiently. For details, please refer to the Company's announcements dated 27 March 2019, 14 August 2020 and 18 February 2021. Set out below is the actual utilisation of net proceeds up to the date of this annual report:

Intended use of the net proceeds	Allocation of net proceeds before 18 February 2021 HK\$'000	Revised allocation of net proceeds as at 18 February 2021 HK\$'000	Unutilised net proceeds as at the date of 2022 annual report HK\$'000	Amount utilised from the date of 2022 annual report up to the date of this annual report HK\$'000	Unutilised net proceeds as at the date of this annual report HK\$'000	Expected timeline for full utilisation of the unutilised net proceeds (Note)
Leasing of warehouse facility in Kowloon:						
- Rental deposits	900	-	-	-	-	N/A
- Rental payments	7,400	3,278	903	(903)	-	N/A
- Renovation costs	7,000	-	-	-	-	N/A
- Start-up costs for warehouse facility	8,100	-	-	-	-	N/A
Development of the business provision of food catering in services through restaurants	-	9,000	5,936	-	5,936	On or before 31 December 2023
Upgrade of Enterprise Resource Planning ("ERP") system	12,560	8,330	7,576	(2,669)	4,907	On or before 31 December 2023
Conducting sales and marketing activities	5,540	4,444	4,319	(89)	4,230	On or before 31 December 2023
Installation of new repackaging equipment	3,500	-	-	-	-	N/A
General working capital	3,500	5,211	-	-	-	N/A
	48,500	30,263	18,734	(3,661)	15,073	

Note: The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market condition. In view of the conditions of the Group's business and the economy, the Group is considering its business expansion and investments in a more prudent manner, hence the expected timeline for utilising the unutilised net proceeds is delayed.



## Management Discussion and Analysis

As disclosed in the prospectus of the Company dated 31 March 2017, 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 and another on the Hong Kong Island for accommodating the increased inventory level. However, since the second half of 2017, the rent and the rent price index in the factory building rental market in Hong Kong showed a continuous uptrend and the Group had not yet identified suitable premises for the warehouse facilities in both areas, therefore the leasing was not yet commenced up to March 2019.

In early 2019, the Group surveyed a premise in Yau Tong, Kowloon, which size and location are suitable for our warehousing, and additionally, the proposed rental fee is relatively cost-effective. The Board evaluated that the premise in Yau Tong, Kowloon is meeting the Group's requirements for fair and efficient use of financial resources. Therefore, the Board had decided to establish a new warehouse at the above mentioned premise and migrated all inventory from the existing warehouses to the new location.

In view of the conditions and expansion of the existing business, there is no urgent need to lease another warehouse facility as the current warehouse facility has met the needs of the Group. Therefore, on 18 February 2021, the Board has resolved to reallocate all unutilised net proceeds for leasing of warehouse facility in Kowloon to develop the business in provision of food catering services through restaurants and general working capital, except that approximately HK\$3,278,000 of the net proceeds are remained to settle the rental expenses of the Yau Tong premise. Up to 18 February 2021, a total of approximately HK\$5,052,000 was spent on rental deposits, renovation costs and start-up costs for the warehouse facility. Up to the date of this report, full amount of the net proceeds of approximately HK\$7,400,000 was utilised on rental payments.

The Group has 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. Up to the date of this report, the Group selected a new ERP software for implementation and a total of approximately HK\$7,653,000 was spent on consultancy services and software and hardware acquisition for the upgrade of the ERP system.

The Group has 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. Up to the date of this report, a total of approximately HK\$1,310,000 was spent on advertising and participating in domestic food exhibition and sales exhibition to showcase our products to potential buyers. The Group is currently recruiting new marketing staffs for upcoming new sales campaign.



## Management Discussion and Analysis

The Group has planned to use approximately HK\$3,500,000 to purchase new repackaging equipment to further automate the repackaging process and increase efficiency. Since outsourcing the repackaging is more cost-effective compared to acquiring and installing new repackaging equipment under the current market conditions, the Board has resolved to reallocate all unutilised net proceeds for installation of new repackaging equipment to develop the business in provision of food catering services through restaurants and general working capital on 18 February 2021. Up to 18 February 2021, a total of approximately HK\$237,000 was spent on purchasing new automatic repackaging machines.

In early 2021, the Group was planning to develop the business in provision of food catering services through restaurants in view of the low market rent under current economic conditions. The Board is of the view that such vertical expansion would give us a competitive advantage, given that it allows us to have better cost control of the supplies for the new restaurant business and improve the performance of our existing business. Approximately HK\$9,000,000 of the net proceeds is allocated for the start-up costs and renovation costs for the restaurants. Up to the date of this report, a total of approximately HK\$3,064,000 was spent on renovation and start-up of the new restaurant in Tsim Sha Tsui. However, due to the pandemic situation in Hong Kong during 2021, the Directors decided to close down the restaurant in Tsim Sha Tsui in March 2022 and are looking for opportunities to develop such segment.

An addition of approximately HK\$5,211,000 of the net proceeds is allocated for the general working capital to support the daily operation of the Group and to maintain sufficient working capital in preparation of any market upheaval. Full amount was utilised as general working capital up to the date of this report.

Looking forward, the Group is still reasonably optimistic to sustain the core business given all the economic uncertainties with the latest epidemic situation of COVID-19 and the changes in government policy. However, the Directors are actively assessing and managing the uncertainties, and implementing, if necessary, measures to conquer this challenging time. At the same time, the Group remains committed to the strategies that we have promised our shareholders before being listed and will continue to seek for the best possible opportunities to grow our business by leveraging our current client base, offering a wide spectrum of products for customers and exercising careful cost controls.

The principal strategic, operational and financial risks faced by the Group are market competition, employee commitment and satisfaction, warehouse disruption, credit risk of customers and fund investments and returns. 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 are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2023.

### 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 and provision of food catering services through restaurants in Hong Kong. Details of the principal activities of its subsidiaries as at 31 March 2023 are set out in the note 31 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

The five-year financial summary of the Group is set out on page 140 of this report. The summary does not form part of the audited financial statements.

### BUSINESS REVIEW

The business of the Group for the year ended 31 March 2023 is set out in the section headed "Management Discussion and Analysis" on pages 9 to 18 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 minimising 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 49 to 74 of this annual report.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2023, 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, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 March 2023, there were no material and significant dispute between the Group and its employees, customers and suppliers.



# Directors' Report

## PRINCIPAL RISKS AND UNCERTAINTIES

### Business Risk

The Group may be unable to retain or replace the Group's major customers. While the Group has good working relationships with the customers, there is no assurance that they will continue to place orders with the Group at all or at current levels in the future. In the event that the Group's major customers significantly reduce their orders with the Group, the business and results of operations of the Group will be adversely affected. As such, the Group is also exposed to inventory risk and stock obsolescence if the Group is unable to predict with certainty the customers' demands.

### Economic and Political Risk

Adverse changes in the economic and political environment and government policies may affect the Group's ability to execute its strategies.

### Financial Risk

The Group is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk in the normal course of business. Details of such financial risks are set out in note 6 to the consolidated financial statements in this annual report.

### People Risk

It may be difficult for the Group to retain talent in the increasingly competitive market. Loss of key management personnel may affect the Group's business, prospects and financial performance.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 and the financial position of the Group as at 31 March 2023 are set out in the consolidated financial statements from page 81 to page 85 of this annual report.

The Board does not recommend the payment of a dividend for the year ended 31 March 2023 (year ended 31 March 2022: nil).



### **DIVIDEND POLICY**

The Company has adopted a dividend policy, pursuant to which the Company may declare and pay dividends to the shareholders of the Company. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company.

Subject to compliance with applicable laws, rules, regulations and the articles of association of the Company (the "Articles of Association"), in deciding whether to propose a dividend payout, the Board will take into account, among other things, the Group's actual and expected financial performance, expected working capital requirements, capital expenditure requirements and future expansion plans, the retained earnings, distributable reserves and liquidity position of the Group, the general economic conditions and any other factors that the Board deems relevant.

The Board will review the dividend policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements of this annual report.

### **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements of this annual report.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the 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 during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively of this annual report.



# Directors' Report

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2023, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK\$16,403,000.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2023, the aggregate revenue attributable to the five largest customers of the Group accounted for less than 30% of the Group's total revenue.

During the year ended 31 March 2023, the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

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

## DIRECTORS

The Directors who held office during the year ended 31 March 2023 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

Ms. Chan Hoi Yee

Mr. Ng Fan Kay Frankie

Mr. Wang Zhaobin





## Directors' Report

In accordance with article 16.18 of the Articles of Association, Mr. Wong Chung Hung Hanson, Mr. Ng Fan Kay Frankie and Ms. Chan Hoi Yee shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "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, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors 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 and shall thereafter continue on a month to month basis, 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) months' 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 and shall thereafter continue on a month to month basis, 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.

None of the Directors being proposed for re-election at the 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 Company has established a remuneration committee in compliance with the GEM Listing Rules. The primary duties of the remuneration committee of the Company are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management of the Company. The remuneration committee of the Company will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management. The Company has adopted a share option scheme as an incentive to selected participants.

### **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 11(a) and 11(b) to the consolidated financial statements of this annual report.



# Directors' Report

## MANAGEMENT CONTRACTS

During the year ended 31 March 2023, other than a contract of service with any Director or any person under the full-time employment of the Company, 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

## 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 2023, 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 have 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 kept by the Company; 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 <sup>(1)</sup>
Mr. Wong Siu Man <sup>(2)</sup>	Interest of controlled corporation	602,800,000	51.88%
Mr. Wong Siu Wa <sup>(2)</sup>	Interest of controlled corporation	602,800,000	51.88%

Notes:

<sup>(1)</sup> 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 2023.

<sup>(2)</sup> 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.



## Directors' Report

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executive of the Company 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 have 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 2023 and up to the date of this annual report was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) 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 2023, the persons (other than Directors or chief executive of the Company) who had interests and short positions in the shares or underlying share of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

#### Long positions

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding <sup>(1)</sup>
Sky Alpha <sup>(2)</sup>	Legal and Beneficial owner	602,800,000	51.88%
Ms. Fan Wing <sup>(2) &amp; (3)</sup>	Interest of spouse	602,800,000	51.88%
Ms. Chu Man <sup>(2) &amp; (4)</sup>	Interest of spouse	602,800,000	51.88%

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 2023.
- (2) 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.
- (3) 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.
- (4) 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.



## Directors' Report

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had or is deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2023, the Group has not entered into any connected transaction with any of the controlling shareholders of the Company. 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 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 2023, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) had interest 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 of the Company, 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 of the Company has confirmed that none of them is engaged in, had interest 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 during the year ended 31 March 2023.



### **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 2023.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued share capital was held by the public.

### **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 31 to 48 of this annual report.

### **SHARE OPTION SCHEME**

A share option scheme was adopted by the Company on 27 March 2017 (the "Share Option Scheme").

During the years ended 31 March 2022, no share option was granted, lapsed, cancelled or exercised. During the year ended 31 March 2023, there were 112,000,000 share options lapsed and no share option was granted, exercised or cancelled. No share option was outstanding as at 31 March 2023.

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 Person(s)") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.



# Directors' Report

## **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**

The total number of Shares which may be issued upon exercise of all outstanding share options to be granted under the Share Option Scheme and any other share option schemes of the Company, must 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 Company may seek approval by its shareholders in general meeting for “refreshing” the 10% limit under the Share Option Scheme. Under the amended Chapter 23 of the GEM Listing Rules, the Company may seek approval by its shareholders in general meeting once every three years or by independent shareholders within the three-year period to “refresh” the 10% limit. The total number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes must not exceed 30% of the Shares in issue from time to time. No share options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

The number of share options available for grant under the Share Option Scheme as at 1 April 2022 and 31 March 2023 were 116,200,000.

As at the date of this annual report, 116,200,000 Shares are available for issue under the Share Option Scheme, which represented 10% of the total number of Shares in issue.

## **Maximum entitlement under the Share Option Scheme**

The total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Person (including exercised, cancelled and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company unless approved by the shareholders of the Company in general meeting with such Eligible Person and his/her close 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**

A share 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 of grant of the share option.

### **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 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 the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant of relevant option; and (iii) the nominal value of a Share on the date of grant of relevant option.

### **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 and details of the share options under the Share Option Scheme are set out in note 30 to the consolidated financial statements in this annual report.

### **EQUITY-LINKED AGREEMENTS**

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

### **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 2023 and up to the date of this annual report.

### **REVIEW OF FINANCIAL INFORMATION**

The audit committee of the Company ("Audit Committee") comprises three independent non-executive Directors, namely, Mr. Ng Fan Kay Frankie (Chairman), Mr. Wang Zhaobin and Ms. Chan Hoi Yee. The Audit Committee, together with the management, have reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2023.



# Directors' Report

## AUDITOR

With effect from 3 May 2021, Messrs. HLB Hodgson Impey Cheng Limited (“HLB”) resigned as auditors of the Company. McMillan Woods (Hong Kong) CPA Limited (“MMW”) was appointed to fill the casual vacancy following the resignation of HLB.

The consolidated financial statements of the Company for the year ended 31 March 2023 have been audited by MMW. MMW will retire at the AGM and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of MMW as auditor of the Company will be proposed at the AGM.

By order of the Board

**Wong Siu Man**

*Chairman and Executive Director*

Hong Kong, 26 June 2023





# Corporate Governance Report

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2023.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company believes that sound corporate governance practices are essential to the effective and transparent operation of the Company and to its ability to safeguard the interest of the shareholders of the Company (the "Shareholder(s)"). The Company has applied the principles and code provisions as set out in Corporate Governance Code (the "CG Code") as contained in Part 2 of Appendix 15 to the GEM Listing Rules 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 CG Code during the year ended 31 March 2023. 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 responsibilities 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.

Each Director has confirmed that he/she can give sufficient time and attention to the Company's affairs and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.



# Corporate Governance Report

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 A.2.1 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.

## A.2 Board Composition

The Board comprised the following Directors during the year ended 31 March 2023 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**

Ms. Chan Hoi Yee  
Mr. Ng Fan Kay Frankie  
Mr. Wang Zhaobin



## Corporate Governance Report

The nomination committee of the Company 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. 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. The current Board composition of three executive Directors, one non-executive Director and three independent non-executive Directors (the "INED(s)"). 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 Company also maintains on its website ([www.agdl.com.hk](http://www.agdl.com.hk)) and on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) an updated list of current Directors (by category) identifying their role and function.

During the year ended 31 March 2023, the Board has 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 Board has established mechanisms to ensure independent views and input are available to the Board, which the Board shall review on an annual basis to ensure the implementation and effectiveness of such mechanisms. A summary of the mechanism is set out below:

- The Board shall ensure the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Director.
- The nomination committee of the Company shall strictly adhere to the nomination policy and the independence assessment criteria as set out in the GEM Listing Rules with regard to the nomination and appointment of independent non-executive Directors. Every independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may materially affect his or her independence and provide an annual confirmation of his or her independence pursuant to the GEM Listing Rules. The nomination committee of the Company is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the GEM Listing Rules to ensure that they can continually exercise independent judgement.
- The Company shall ensure that the independent non-executive Directors be given the opportunity and channel to communicate and express their independent views and inputs to the Chairman, the Board and its committees. The Chairman of the Board shall at least annually hold meetings with the independent non-executive Directors without the presence of other Directors to discuss major issues and any concerns.
- The Director shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.



# Corporate Governance Report

Each of the INED has confirmed in writing his/her independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the INEDs to be independent. Save as disclosed in the section headed “Biographical Details of Directors and Senior Management”, the Board members has no financial, business, family or other material/relevant relationships with each other.

## A.3 Chairman and Chief Executive Officer

Pursuant to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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 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, 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 INEDs has entered into a letter of appointment with the Company for an initial term of three (3) years, 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.

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. Pursuant to article 16.2 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company after his/her appointment and shall be subject to re-election at such meeting.



# Corporate Governance Report

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

Pursuant to Code Provision C.1.4 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. During the year ended 31 March 2023, all Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements. All Directors are also provided with updates on the Group's business and operation plans from time to time. 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.

Pursuant to Code Provision C.1.1 of CG Code, newly appointed Directors should receive a comprehensive, formal and tailored induction on appointment, so as to ensure that they have a proper understanding of the Group structure, Board and Board Committees meetings procedures, business, management and operations of the Group, etc. and that they are fully aware of their responsibilities and obligations under the GEM Listing Rules and legal and other regulatory requirements in the Cayman Islands and Hong Kong.

According to the records maintained by the Company, the Directors received training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the CG Code on continuous professional development during the year ended 31 March 2023 by attending seminars and/or courses organised by professional firms or institutions and reading materials.

## A.6 Board Meetings

### A.6.1 Board Practices and Conduct of Meetings

Pursuant to Code Provision C.5.1 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. Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For all other Board meetings, notice is given in a reasonable time in advance. All Directors are supplied with agenda and relevant meeting materials at least 3 days before the date of the meeting or within a reasonable period of time in advance of the intended meeting date. All Directors are given opportunities to include matters in the agenda for regular Board meetings, if required. To enable the Directors to make informed decisions, adequate and appropriate information in relation to the matters of the meeting are sent to all Directors in a timely manner. The Board and each Director have separate and independent access to the management for enquiries and to obtain further information, when required.



# Corporate Governance Report

After the meeting, draft minutes are circulated to all Directors for comments within a reasonable time. All minutes of the meetings are kept by the company secretary of the Company (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.

## A.6.2 Directors’ Attendance Records

During the year ended 31 March 2023, the Board convened nine Board meetings and one general meeting. The attendance of each Director at the meetings of the Board, Board committees and general meeting is as follows:

	Number of meetings attended/eligible to attend				General meeting
	Board	Remuneration Committee	Audit Committee	Nomination Committee	
<b>Executive Directors</b>					
Mr. Wong Siu Man ( <i>Chairman</i> )	8/8	N/A	N/A	N/A	1/1
Mr. Wong Siu Wa ( <i>Chief Executive Officer</i> )	8/8	N/A	N/A	N/A	1/1
Mr. Yip Kam Cheong ( <i>Compliance Officer</i> )	8/8	N/A	N/A	N/A	1/1
<b>Non-executive Director</b>					
Mr. Wong Chun Hung Hanson	8/8	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Ms. Chan Hoi Yee	8/8	1/1	4/4	1/1	1/1
Mr. Ng Fan Kay Frankie	8/8	1/1	4/4	1/1	1/1
Mr. Wang Zhaobin	8/8	1/1	4/4	1/1	1/1



# Corporate Governance Report

## A.7 Independence of Independent Non-Executive Directors

The Board is committed to reviewing and assessing the independence of the independent non-executive Directors. The Board has established mechanisms to ensure independent views and input are available to the Board, which the Board shall review on an annual basis to ensure the implementation and effectiveness of such mechanisms. A summary of the mechanism is set out below:

- At least three (3) Directors or one-third (1/3) of the Board, whichever is the higher, are INEDs.
- Apart from complying with the requirements prescribed by the GEM Listing Rules as to the composition of certain Board committees, INEDs will be appointed to all Board committees as far as possible to ensure independent views are available.
- The nomination committee of the Company must strictly adhere to the nomination policy of the Company and the independence assessment criteria as set out in the GEM Listing Rules with regard to the nomination and appointment of INEDs.
- Each INED is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence and must provide an annual confirmation of his independence to the Company.
- The nomination committee of the Company is mandated to assess annually the independence of all INEDs by reference to the independence criteria as set out in the GEM Listing Rules to ensure that they can continually exercise independent judgement.
- The Board have full and unrestricted access to the advice and services of the senior management personnel and/or the Company Secretaries in the discharge of the Board's duties and responsibilities. The Board is also allowed to seek advice from independent professional advisers when necessary at the expense of the Company to allow them to discharge their duties effectively. All INEDs have access to the executive Directors and/or senior management personnel should there be any explanation or clarification needed on any aspects of the Group's operations and/or management issues.
- The Director shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.
- The Chairman of the Board shall at least annually hold meetings with the INEDs without the presence of other Directors to discuss major issues and any concerns.



# Corporate Governance Report

## B. BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee, remuneration committee and nomination committee for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the websites of the Stock Exchange and the Company. 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

As at the date of this report, the audit committee of the Company (the "AC") consists of three INEDs, namely Mr. Ng Fan Kay Frankie, Mr. Wang Zhaobin and Ms. Chan Hoi Yee. Mr. Ng Fan Kay Frankie currently serves as the chairman of the AC, who holds the appropriate professional qualifications as required under the GEM Listing Rules.

The principle duties of the AC are to (i) monitor integrity of the Company's financial statements, financial reports and accounts and to review the financial and accounting policies and practices of the Company; (ii) assist the Board in providing an independent view of the effectiveness of the Group's financial controls, internal control and risk management systems; and (iii) to make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

During the year ended 31 March 2023, the AC held four meetings 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; and
- Discussion and recommendation of the re-appointment of external auditor.

The attendance records of each Director at the meeting of the AC is set out on page 36 of this annual report.



# Corporate Governance Report

During the year ended 31 March 2023, the fee paid/payable to auditor in respect of audit service and/or non-audit services were as follows:

<b>Nature of services</b>	<b>2023</b> <b>HK\$'000</b>	<b>2022</b> <b>HK\$'000</b>
Audit services	570	570
Non-audit related services	–	–

## B.2 Nomination Committee

As at the date of this report, the nomination committee of the Company (the “NC”) consists of three INEDs, namely Ms. Chan Hoi Yee, Mr. Wang Zhaobin and Mr. Ng Fan Kay Frankie. Ms. Chan Hoi Yee currently serves as the chairlady of the NC.

The principal duties of the NC are to (i) review the structure, size and composition of the Board; (ii) review the board diversity policy and directors’ nomination policy; (iii) identify qualified individuals to become members of the Board; (iv) make recommendation to the Board on the appointment, re-appointment and succession planning of Directors; and (v) assess the independence of INEDs.

During the year ended 31 March 2023, the NC held one meeting and performed the following major tasks:

- Review 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 annual general meeting pursuant to the Articles of Association; and
- Review the board diversity policy and nomination policy of the Company.

The attendance records of each Director at the meeting of the NC is set out on page 36 of this annual report.





## Corporate Governance Report

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board. 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. 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. Upon the review of the Board's composition taking into account the diversity policy, the NC considers that the Board has maintained an appropriate mix and balance of age, ethnicity, skills, knowledge, experience and diversity of perspectives appropriate to the business requirements of the Company. The NC and the Board review the implementation and effectiveness of the board diversity policy on an annual basis or as required.

The Company is conscious of maintaining board diversity with an appropriate level of members of both genders on the Board. The Company will continue to take gender diversity into consideration during recruitment, such that there is a pipeline of potential successors to the Board to achieve gender diversity. As at 31 March 2023, the Board comprised six males, representing 85% of the Board, and one female, representing 15% of the Board. The NC considered that the Board was sufficiently diverse in terms of gender, background and experience, thus the Board had not set any measurable objectives. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.



## Corporate Governance Report

The Company adopted a nomination policy which sets out the selection criteria in assessing the suitability of a proposed candidate as Director and procedure of appointing and re-appointing a Director. In assessing the suitability of a proposed candidate, the NC would consider factors including but not limited to academic background, qualifications, relevant experiences in the industry, character and integrity of the candidate, whether the candidate can contribute to the diversity of the Board, the candidate's commitment in respect of available time and relevant interest and where the candidate is proposed to be appointed as an independent non-executive Director, whether the candidate is independent in the context of GEM Listing Rules. Suitable candidate can be nominated by any Director for the NC's consideration. NC should evaluate the personal profile of the candidate based on the selection criteria as set out in the nomination policy and undertake adequate due diligence in respect of each proposed candidate. After comprehensive assessment, the NC will then make recommendations to the Board for approval. The NC will review the nomination policy and assess its effectiveness on a regular basis or as required.

### **B.3 Remuneration Committee**

As at the date of this report, the remuneration committee of the Company (the "RC") consists of three INEDs, namely Mr. Wang Zhaobin, Ms. Chan Hoi Yee, and Mr. Ng Fan Kay Frankie. Mr. Wang Zhaobin currently serves as the chairman of the RC.

The primary functions of the RC are to (i) review and make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management; (ii) determine the remuneration packages of the Directors and senior management; (iii) review and approve matters relating to share option scheme under Chapter 23 of GEM Listing Rules; and (iv) ensure none of the Directors determine their own remuneration.

During the year ended 31 March 2023, the RC held one meeting and performed the following major tasks:

- Determine the remuneration package of the Directors and senior management of the Company with reference to the duties and responsibilities, business performance and profitability of the Group and market conditions, the corporate objective and goal set by the Board; and
- Review the remuneration policy and structure for fixing the remuneration packages.

The attendance records of each Director at the meeting of the RC is set out on page 36 of this annual report.



# Corporate Governance Report

Pursuant to the Code Provision E.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 2023 is set out below:

<b>In the band of</b>	<b>Number of Individuals</b>
Nil to HK\$1,000,000	6
HK\$1,000,001 to HK\$2,000,000	1
HK\$2,000,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$4,000,000	1
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 2023 are set out in note 11 to the consolidated financial statements in this annual report.

## C. 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. Lau Yin Ping was appointed as the Company Secretary of the Group on 31 August 2018. Ms. Lau Yin Ping has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 March 2023, she has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

## D. DIVERSITY IN WORKFORCE

As at 31 March 2023, the Group had a total of 76 employees (including the senior management). The gender composition of the employees (including the senior management) was approximately 58% male employees and 42% female employees. The Group believes that the gender ratio of employees is within the reasonable range.



# Corporate Governance Report

## **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 2023, 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 2023, 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 75 to 80 of this annual report.

## **F. CORPORATE GOVERNANCE FUNCTIONS**

The Board is responsible for performing the corporate governance duties including to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employees and Directors and to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

## **G. DIRECTORS' SECURITIES TRANSACTIONS**

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. Having made specific enquiry of all the Directors, each of the Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the year ended 31 March 2023.

In addition, the Company has also adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as written guidelines for relevant employees in respect of their dealings in the securities of the Company. 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 required standard of dealings regarding securities transactions by Directors or employees and/or the Inside Information Policy was noted by the Company during the year ended 31 March 2023.



# Corporate Governance 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, as well as those relating to the Group's environmental, social and governance ("ESG") performance and reporting 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 2023, 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 AC and the Board. The 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 AC, the Board is of the view that the risk management and 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 (including ESG risks);
- Develop necessary measures to manage those risks; and
- Monitor and review the effectiveness of such measures.



# Corporate Governance Report

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 year ended 31 March 2023, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks:

<b>Risk Areas</b>	<b>Principal Risks</b>
Strategic risks	Market competition
Operational risks	Employee commitment and satisfaction, warehouse disruption
Financial risks	Credit risk of customers, fund investments and returns
Compliance risks	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 2023 and considered that it was effective and adequate.



# Corporate Governance Report

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

The Board has approved and adopted the Inside Information Policy 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 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 arise.

### Dissemination of Inside Information

Inside information is announced promptly through the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.agdl.com.hk](http://www.agdl.com.hk)). The electronic publication system of the Stock Exchange is the first channel of dissemination of the Group's information before any other channel.

## J. SHAREHOLDERS' RIGHTS

Pursuant to Articles of Association, any shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the said date of deposit of the requisition.





## Corporate Governance Report

Pursuant to Articles of Association, 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 during the period, which shall be at least 7 days, commencing the day after the despatch of the notice of the meeting and ending no later than 7 days prior to the date of such meeting.

Shareholders may at any time send their enquiries and concerns, in writing, to the Board by addressing them to the Company Secretary. Contact details are as follows:

Address: The Whole of Upper Ground Floor,  
Mai Tong Industrial Building,  
No.22 Sze Shan Street, Kowloon, Hong Kong

Fax: (852) 2389 1612

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.

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.

### **K. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS**

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company has adopted the shareholders communication policy which sets out the Group's commitment of and channels for maintaining an effective ongoing dialogue with shareholders. The Company has reviewed the implementation and effectiveness of such policy during the year ended 31 March 2023 and considered that it is sufficient and effective.



# Corporate Governance Report

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 websites of the Stock Exchange and of the Company;
- (b) latest information on the Group is available on the respective websites of the Stock Exchange and of the Company;
- (c) general meetings of the Company provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (d) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

## **L. CONSTITUTIONAL DOCUMENTS**

During the year ended 31 March 2023, there had been no change in the constitutional documents of the Company. The Articles of Association are available on the websites 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 referred to as 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 and specialty food ingredients to kitchen products which can be broadly categorised into (i) commodities and cereal products; (ii) packaged food; (iii) sauce and condiments; (iv) dairy products and eggs; (v) beverage and wine; and (vi) kitchen and hygiene products.

While promoting sound business growth, the Group is also committed to being an environmentally-friendly corporation with high-quality products and services. The Group considers social and environmental responsibilities as one of the core values in business operations to strive for greater sustainability and transparency, as well as to deliver services that foster a sustainable environment for the future generation.

The Group has signed the “ESG+ Pledge Scheme” to make improvements in the performances related to environment, social responsibility and governance by making action commitments and working together to create a sustainable future.

## ABOUT THIS REPORT

This Environmental, Social and Governance Report (the “Report”) provides an annual update of the Group’s sustainability performances, achievements and challenges from 1 April 2022 to 31 March 2023 (the “Reporting Period”). Based on the evaluation of the reporting scope, the Report covers all of the principal operating activities of the Group in Hong Kong, including the offices and warehouses in Yau Tong and Tuen Mun. The reporting scope is the same as the previous Reporting Period and covers the Group’s total revenue during the Reporting Period. Unless otherwise indicated, the Report covers the Company and its subsidiaries.

For the Group’s information on corporate governance practice, please refer to the section of “Corporate Governance Report” in this Annual Report.



# Environmental, Social and Governance Report

## Reporting Principles

The Report is prepared in accordance with Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). According to the guideline, the following reporting principles are underpinned:

1. **Materiality:** ESG issues that have major impacts on investors and other stakeholders must be set out in this Report. The Group applies the concept of materiality in planning and developing the Report by conducting the materiality assessment.
2. **Quantitative:** If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information. The KPIs are calculated with reference to “Appendix 2: Reporting Guidance on Environmental KPIs” and “Appendix 3: Reporting Guidance on Social KPIs” of “How to Prepare an ESG Report” published by the Stock Exchange.
3. **Balance:** This Report must provide an unbiased picture of the ESG performances of the Group. It should avoid selecting, omitting, or presenting formats that may inappropriately influence a decision or judgment by the reader.
4. **Consistency:** This Report should use consistent and statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the Report.

Data in this Report are extracted from the Group’s internal management system and statistics, and part of the data collected in previous years. This Report shall be uploaded and published both in Chinese and English on the websites of the Group at [www.agdl.com.hk](http://www.agdl.com.hk) and The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk). Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

## Comments and Feedback

The Group hopes that this Report would inform the stakeholders of the performances of the Group on aspects besides financial results and business operations. We welcome all sorts of comments and suggestions from our stakeholders with respect to this Report or our ESG performance.

Your feedback is valuable for the Group’s continuous improvement. Please feel free to offer your comments and suggestions via email at [fax@hfh.com.hk](mailto:fax@hfh.com.hk).



# Environmental, Social and Governance Report

## BOARD STATEMENT OF ESG GOVERNANCE

### Board's Oversight of ESG Issues

The Group believes that good ESG governance strategies and practices are inseparable from corporate success. The Board aims at establishing an effective ESG risk management mechanism and shoulders the responsibility of supervising the Group's ESG governance. Our ESG Governance structure is divided into three main components, the board (the "Board") of directors of the Company (the "Directors"), the ESG Working Group and the dedicated ESG representatives in different departments and subsidiaries.

#### The Board

- Approving ESG strategies, action plans and targets;
- Approving the resources required to implement ESG-related measures;
- Ensure proper and effective risk management and internal control systems are in place;
- Supervise and lead the ESG-related issues; and
- Review and approve the ESG reports.

#### ESG Working Group

- Identify and manage potential ESG risks in the business operations;
- Provide assistance to the Board by monitoring the implementation of the ESG-related measures;
- Report to the Board for the ESG performances regularly;
- Manage the ESG risks and opportunities in the daily operations; and
- Coordinate and prepare the ESG Report.

#### Functional Departments

- Coordinate and implement specific ESG policies and measures;
- Report to the ESG Working Group on the ESG issues; and
- Collect ESG-related information and data.

The Board formulates the ESG strategies of the Group. The Board has the overall responsibility for the Group's ESG strategies, performances and reporting, which include determining, monitoring, reviewing and evaluating the ESG-related risks and issues, overseeing and ensuring the suitable and effective ESG risk management and internal control systems are in place. The Board reviews the Group's ESG Report annually, discusses the key risks and makes relevant recommendations for the coming year. The Board shall take appropriate measures for the mitigation of the key ESG risks during the regular Board meetings.



# Environmental, Social and Governance Report

To demonstrate the Group's commitment to transparency and accountability, the Board has established an ESG Working Group, which consists of the executive directors and senior management of the Group, to assist and advise the Board on the development and implementation of ESG strategies, policies and practices of the Group.

The ESG Working Group also assists the Board in reviewing ESG performance and targets. It has the responsibility for collecting data from different departments and business operations, analysing and verifying ESG data after collection, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports based on the reporting principles. The ESG Working Group will report to the Board at least once per year during the annual meetings on any updated ESG issues and performance, including the progress of ESG-related goals and targets, on a regular basis in order to ensure that the Group's ESG strategies, goals and targets are achieved.

## **Board's ESG Management Approach and Strategy**

The Group acknowledges the importance of stakeholder engagement to understand the concerns and expectations of different stakeholders, as well as the impact of sustainability trends in the broader business context, which enable us to make advances in the sustainability strategies, measures and performance. Our approach is to sustain continuous, regular dialogues with our internal and external stakeholders so as to identify, prioritise and respond to material sustainability topics.

During the Reporting Period, an internal review of the materiality assessment was conducted by the ESG Working Group to evaluate the materiality assessment results and to examine how the business may be affected by megatrends, stakeholders' expectations and business priorities. The Group validates, determines, and prioritizes the material ESG issues based on the results of the materiality assessment. This process helps the Group to better understand the degree of importance that stakeholders place on each ESG issue and enables the Group to plan its sustainable development direction more comprehensively in the future.

## **Board Review Progress against ESG-related Goals and Targets**

The progress of implementation and the performance of the goals and targets should be closely reviewed by the Group from time to time. If the progress falls short of expectations or changes in business operations, it may be necessary to make changes and communicate the goals and targets with key stakeholders such as employees, customers and suppliers.



# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

As part of the business strategies, the Group communicates with the stakeholders in an open, honest and proactive way. To achieve this objective and improve transparency, we take active measures to promote investor relations and communication. In addition, we have developed the investor relations policy to ensure that investors have fair and timely access to the information of the Group. Understanding stakeholders' views allow the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions. The following table shows the expectations and concerns of the major stakeholders as identified by the Group and the communication channels.

Major Stakeholder	Expectations and Concerns	Communication Channels
Stock Exchange	<ul style="list-style-type: none"> <li>• Compliance with listing rules</li> </ul>	<ul style="list-style-type: none"> <li>• Announcements on the Stock Exchange website</li> <li>• Discussions and meetings as necessary</li> <li>• Emails and other correspondences</li> </ul>
Government and regulatory bodies	<ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Taxation</li> </ul>	<ul style="list-style-type: none"> <li>• Site visits and audits</li> <li>• Public notice of new laws and regulations</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Information disclosure</li> <li>• Protection of rights and interests of shareholders</li> <li>• Fair treatment of shareholders</li> <li>• Operating risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Annual reports, announcements and other disclosures/publications</li> <li>• Company website/Disclosures on the Stock Exchange website</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Salaries and welfares</li> <li>• Protection of employee's rights and interest</li> <li>• Healthy and safe working environment</li> <li>• Equal promotion opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Employee training</li> <li>• Regular employee activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Product safety and quality</li> <li>• Customer satisfaction</li> <li>• After-sales services</li> </ul>	<ul style="list-style-type: none"> <li>• Website</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Long-term and sustainable business relationship</li> <li>• Transparent and fair procurement process</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier contracts</li> <li>• Business meetings, emails and telephone calls</li> <li>• Supplier evaluation</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Environmental protection</li> <li>• Contribution to the community</li> </ul>	<ul style="list-style-type: none"> <li>• Voluntary activities</li> <li>• Donation</li> </ul>



# Environmental, Social and Governance Report

Identifying the material ESG issues that matter the most to the Group is a prerequisite for setting the framework for the ESG Report and formulation of ESG management strategies. As such, the Group regularly conducts internal materiality assessments to determine the sustainability issues that matter the most to the Group, which will become the main focus of our sustainability strategy and facilitate the implementation of relevant initiatives. The Group has adopted a three-step process for the internal materiality assessment as described below to prioritise relevant sustainability areas that would have a material impact on the Group's operations and reputation.

## Step 1: Identification

With reference to the ESG Reporting Guide, the Group has identified a list of sustainability issues that are relevant to the Group's business operations for the Reporting Period.

## Step 2: Prioritisation

Ranking the identified topics with reference to the respective level of interest, risk and importance to the Group through internal review and generating a list of prioritised material topics based on the Group's understanding of the stakeholders' concerns and business operation.

## Step 3: Validation

The Board has regularly reviewed, validated and endorsed the list of material sustainability topics to ensure that they are relevant and material to the Group for further action and disclosure as appropriate. The Group has been able to prioritise issues from the environmental and social aspects specified in the ESG Reporting Guide to be the material focus of this Report. The material issues are listed below.

Aspects	Material ESG Issues
<b>A. Environmental Aspect</b>	
A1. Emissions	<ul style="list-style-type: none"><li>• Air emissions</li></ul>
A2. Use of Resources	<ul style="list-style-type: none"><li>• Energy consumption and efficiency</li><li>• Use of packaging materials</li></ul>
<b>B. Social Aspect</b>	
B1. Employment	<ul style="list-style-type: none"><li>• Employee welfare</li><li>• Inclusion and equal opportunities</li><li>• Talent attraction and retention</li></ul>
B2. Health and Safety	<ul style="list-style-type: none"><li>• Occupational health and safety</li><li>• Safe working environment</li></ul>
B3. Development and Training	<ul style="list-style-type: none"><li>• Development and training</li></ul>



# Environmental, Social and Governance Report

Aspects	Material ESG Issues
B4. Labour Standards	<ul style="list-style-type: none"><li>• Prevention of child and forced labour</li></ul>
B5. Supply Chain Management	<ul style="list-style-type: none"><li>• Supply chain management</li><li>• Green procurement</li><li>• Environmental and social risks of suppliers</li></ul>
B6. Product Responsibility	<ul style="list-style-type: none"><li>• Quality of products and services</li><li>• Customer satisfaction</li><li>• Protection of intellectual property rights</li><li>• Protection of customer privacy</li></ul>
B7. Anti-corruption	<ul style="list-style-type: none"><li>• Corporate governance</li><li>• Anti-corruption</li></ul>
B8. Community Investment	<ul style="list-style-type: none"><li>• Community investment</li></ul>

The Group will continue to engage in open communication with stakeholders to gain an understanding of their expectations and viewpoints regarding the Group's ESG approach. Additionally, the Group will continue to identify areas for improvement and allocate resources to manage these areas proactively.

## ENVIRONMENTAL ASPECTS

The Group provides distribution solutions for food and beverage groceries to its customers. The Group focuses on those emissions that may adversely affect the environment and tries to minimise waste generation and emissions during the operation. The Group did not have material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste in Hong Kong during the Reporting Period, including but not limited to the Air Pollution Control Ordinance (Cap. 311), Waste Disposal Ordinance (Cap. 354), Water Pollution Control Ordinance (Cap. 358) and Noise Control Ordinance (Cap. 400).

The Group encourages energy conservation and emission reduction in all processes of procurement, inventory management, repackaging, sales and delivery. The Group has reduced the frequency of transportation by simplifying inventory management and delivery processes in order to reduce carbon emissions from diesel and gasoline consumption. In order to demonstrate the commitment to creating a better environment for Hong Kong, the Group actively participates in the Hong Kong Green Organisation Certification Scheme.



# Environmental, Social and Governance Report



## Energywise Certificate

- The Group was awarded the "Energywise Certificate" by the Hong Kong Green Organization Certification and contributes to environmental protection through energy conservation.



## Wastewise Certificate

- The Group attaches great importance to environmental protection by demonstrating good practices in waste management. The Group was awarded the "Wastewise Certificate" by the Hong Kong Green Organization Certification.

## Hong Kong Green Organization

- The Group is recognised as the Hong Kong Green Organisation by the Environmental Campaign Committee.

## Emissions

### Air Emissions

The main sources of air emissions come from the Group's owned vehicles. For the product delivery, the Group has appointed third-party transportation companies to deliver products to its customers. In order to reduce air pollutant emissions in logistic operations, the Group carefully selects third-party transportation companies. There is no direct calculation of the emission figures for the transportation carried by them.

Air emissions	2023	2022	2021	Unit
Nitrogen oxides (NO <sub>x</sub> )	836.83	154.21	75.77	kg
Sulphur oxides (SO <sub>x</sub> )	0.47	0.06	0.02	kg
Respirable suspended particles (RSP)	51.76	7.26	3.55	kg

### Greenhouse Gas Emissions

During the Reporting Period, the total greenhouse gas emissions were about 208.8 tonnes of CO<sub>2</sub>-equivalent ("CO<sub>2</sub>-e") and the total greenhouse gas intensity was 0.729 tonnes of CO<sub>2</sub>-e per million HKD revenue.



## Environmental, Social and Governance Report

The major source of greenhouse gas emissions is indirect emissions from purchased electricity (Scope 2), accounting for 59.7% of the Group's total emissions. Direct emissions from owned vehicles (Scope 1 emissions) collectively made up 40.2% of the total greenhouse gas emissions. 0.1% of the greenhouse gas emissions were generated by water and sewage processing indirectly (Scope 3 emissions). The total change in greenhouse gas emissions was mainly due to the slight increase in electricity consumption and the increase in fuel consumption by company-owned vehicles. As the employees started to resume work at office and the business operations resume normal, the need for purchased electricity and fuel consumption increased.

To ensure the Group has made ongoing efforts on mitigating the environmental impacts and climate change during operation, the Group has initiated a target of 5% emission reduction in terms of intensity in scope 1 and 2 emissions (0.728 tonnes CO<sub>2</sub>-e per million HKD revenue) by 2028, compared with the baseline year of 2023. For detailed strategies for greenhouse gas reduction and energy reduction, please refer to the "Use of Resources" section.

Greenhouse gas emissions	2023	2022	2021	Unit
Scope 1 emissions	83.9	10.5	3.4	tonnes CO <sub>2</sub> -e
Scope 2 emissions	124.6	90.5	110.7	tonnes CO <sub>2</sub> -e
Scope 3 emissions	0.3	0.3	-	tonnes CO <sub>2</sub> -e
Total greenhouse gas emissions	208.8	101.3	114.1	tonnes CO <sub>2</sub> -e
Intensity (by revenue)	0.729	0.420	0.501	tonnes CO <sub>2</sub> -e/ million HKD revenue

### Waste Management

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. Due to our business nature, the Group does not produce any hazardous waste, while the key non-hazardous wastes generated by us mainly include daily rubbish, such as stationeries, paper and domestic wastes.

Through the "4R Principles – Reduce, Reuse, Replace and Recycle", the Group strives to achieve the target of reducing the amount of non-hazardous waste generated and aims at waste management from the source. While educating our employees on the significance of sustainable development, we constantly encourage all employees to reduce paper usage through duplex printing, paper recycling and frequent use of electronic information systems for material sharing or internal administrative documents. The Group encourages the use of reusable products and better separation of waste streams for recycling. We encourage minimal consumption of single-use products in the workplace to avoid waste generation.



# Environmental, Social and Governance Report

During the Reporting Period, the total non-hazardous wastes produced were 0.62 tonnes and the non-hazardous waste intensity is 0.002 tonnes per million HKD revenue. The Group has set a target of reducing non-hazardous waste intensity by 5% by 2028 compared to the baseline year in 2023, and remain zero generation of hazardous waste in the next five years.

<b>Non-hazardous waste</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Unit</b>
Total non-hazardous waste produced	<b>0.62</b>	0.65	0.67	tonnes
Intensity (by revenue)	<b>0.002</b>	0.003	0.003	tonnes/million HKD revenue

## Use of Resources

During the business operation, apart from the use of electricity, the Group also consumes other resources, such as water, paper and packaging materials.

The Group places a strong emphasis on the effective use of paper, promoting the use of recycled paper for casual printing and drafting, and implementing paper-saving signs to encourage employees to use paper more efficiently. By raising awareness of resource conservation among employees and implementing effective initiatives and programs, the Group is taking proactive steps to promote waste reduction.

The Group encourages the use of electronic media as internal and external communication channels to reduce paper consumption. The Group will continue to encourage the employees to use electronic documents rather than paper copies and use double-sided printing method. Recycling boxes near office photocopiers are also placed to collect paper that can be reused.

## Energy Consumption

The Group recognizes the need to reduce the energy consumption and minimize the environmental impacts during operation. In order to address climate change and reduce carbon emissions, the Group has established a target to reduce 10% of the energy intensity by 5 years (in 2027) with 2022 as the base year.

The use of petrol by company-owned vehicles and electricity contributed to the direct and indirect energy consumption respectively. In order to enhance the energy efficiency, the Group has imposed several policies aiming at energy reduction including:

- Appointing a representative to coordinate internal energy-saving plans;
- LED lighting systems are widely set up in the office and warehouse;
- Arranging for regular cleaning of light transmission covers, bulbs and reflectors to ensure their lighting performance;
- Providing zoning control of lighting and ventilation system in the office and warehouse according to the operation schedule;



## Environmental, Social and Governance Report

- Maintaining the indoor temperature at a reasonable level and regular maintenance of the ventilation system;
- Regular maintenance and continuous replacement of the aged air ventilation system by more energy-efficient ones;
- Encouraging employees to switch off unnecessary electrical appliances, such as lighting, computers and monitors, when not in use;
- Giving priority to energy-efficient electrical appliances, such as those with Grade 1 energy labels, during procurement;
- Encouraging employees to make the best use of virtual meetings or telecommunication system to avoid unnecessary travel arrangement wherever possible; and
- Promoting environmental awareness of the employees.

<b>Direct and indirect energy consumption by type</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Unit</b>
Direct energy consumption	1,111.7	134.7	43.2	GJ
Indirect energy consumption	319.5	244.6	217.0	MWh
Total energy consumption	628.3	282.1	229.0	MWh-e
Intensity (by revenue)	2.195	1.169	1.006	MWh-e/ million HKD revenue

### **Water Consumption**

The Group understands the importance of environmental protection through efficient water management in the office and warehouse. The Group has imposed water-saving policies to reduce water consumption. The Group encourages water conservation and reminds employees to reduce water wastage whenever possible. Besides educating its employees, the Group also engages in regular assessments of its utility services. In particular, the Group regularly checks for water seepage or leaking pipelines. If such problems are identified, the Group will ensure that the defective parts causing the seepage or leakage are replaced and repaired on a timely basis. The Group did not have any issue with sourcing water that is fit for purpose during the Reporting Period. The Group endeavours to conserve water resources and has set up a 5-year water efficiency target of reducing water consumption intensity by 5% by 2028, compared to 2023 baseline.

<b>Water consumption in total and intensity</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Unit</b>
Total water consumption	378.0	452.0	219.6	m <sup>3</sup>
Intensity (by revenue)	1.32	1.87	0.96	m <sup>3</sup> /million HKD revenue



# Environmental, Social and Governance Report

## *Use of Raw Materials and Packaging Materials*

The Group encourages its employees to use double-sided paper for printing and photocopying, reduce waste and adopt waste separation for further reuse and recycling. 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 materials that are environmentally friendly and reusable, such as reusable cartons and plastic bags. During the Reporting Period, the major packaging materials purchased by the Group are as follows:

<b>Packaging material used for finished products<sup>1</sup></b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Unit</b>
Plastic bag	3.4	4.5	1.7	tonnes
Carton box	47.4	50.6	46.8	tonnes
Adhesive tape	2.6	2.7	1.4	tonnes
Total packaging material used	53.4	57.8	49.9	tonnes
Intensity (by revenue)	0.187	0.239	0.219	tonnes/million HKD revenue

## **The Environment and Natural Resources**

The Group's operation does not have a significant impact on the environment. Nevertheless, the Group recognizes that its performance in respect of emissions, waste produced, and use of resources may bring about negative impacts on the environment. The Group strives to contribute to environmental protection and minimise the environmental impacts associated with our business activities. During the packaging process, we reduce carbon emissions by reusing cartons and other packaging materials. In the day-to-day operation, the Group motivates its employees to save energy and create a green working environment.

We will continue to assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks and ensure compliance with relevant laws and regulations.

## **Climate Change**

Climate change is a global environmental issue for the international community. The Group also recognizes the impacts of climate-related risks on our business operation. Climate change presents immediate and long-term risks to the Group, its consumers and business partners.

Supported by our ESG Working Group, the Board oversees climate-related issues and risks regularly during the board meetings and ensures that they are incorporated into our strategy. The ESG Working Group works closely with the Group's different operation departments, with an aim to develop consistent and enhanced approaches to addressing ESG risk issues and report to the Board. The Group has started to work on identifying potential risks and opportunities associated with climate change so that we could improve our capabilities to manage those risks.

<sup>1</sup> The figures in 2021 have been updated to reflect the performance more accurately.





## Environmental, Social and Governance Report

For the acute physical risks, the increase in the frequency and intensity of extreme weather events, such as typhoons, rainstorms, flooding and heatwaves, may hinder the daily operation of our business and cause delays in the delivery. In order to safeguard the safety of all employees and the logistic team, the Group will closely monitor the weather forecast during the extreme weather event and strictly comply with the labour laws and regulations on adverse weather management. Our IT team will ensure the online order processing and delivery procedures are functioning properly.

Besides, the change in the long-term climate pattern, such as the temperature and precipitation level, may cause higher energy usage and thus the operating costs to ensure the freshness of our products. The Group will seek opportunities to decarbonize our business.

Apart from the physical risks, transitional risks, like market risks, may also affect the profitability of the business. As the environmental awareness of the customers is raising, the customers would prefer choosing green and environmentally friendly products. The Group will analyze customer demand and better prepare for the transition by including environmental considerations during the procurement processes.

The Group continues to raise awareness of climate change in regard to monitoring carbon and energy footprint in its daily operation. However, the gaps in understanding how such climate risks and opportunities may impact the Group's operations, assets and profits. The Group assesses how the business addresses climate change risks and opportunities by adapting existing enterprise risk management processes to take account of climate risk and takes the initiative to integrate climate change into key governance processes.

The Group adopts the key metrics to assess and manage climate-related risks and opportunities. The energy consumption and greenhouse gas emissions indicators are the key metrics used to assess and manage relevant climate-related risks where we consider such information as material and crucial for evaluating the impact of our operation on global climate change during the Reporting Period. The Group regularly tracks our energy consumption and greenhouse gas emissions indicators to assess the effectiveness of emission reduction initiatives, as well as set targets to contribute our effort to have minimal impact on global warming.



# Environmental, Social and Governance Report

## SOCIAL ASPECTS

### Employment and Labour Practices

#### *Employment*

We are committed to building a harmonious working atmosphere for employees by encouraging mutual respect which ultimately promotes work creativity, flexibility and commitment. During the Reporting Period, the Group has been recognised as the “Happy Company 5 Years+” and “Good MPF Employer”.

#### Happy Company 5 Years+

- The Group is pleased to receive the “Happy Company 5 Years+” logo from the Promoting Happiness Index Foundation. It recognizes our commitment to providing a friendly and caring work environment. As a caring employer, the Group will continue to craft a caring and happy workplace that motivates productivity.

#### Good MPF Employer Award

- The Group is honoured as a Good MPF Employer and presented with the e-Contribution Award and MPF Support Award. The Group realises the importance of providing sufficient retirement benefits for the employees and strives to enhance the retirement protection of the employees.

We review our human resources policies regularly and ensure that they are in compliance with Hong Kong’s Employment Ordinance (Cap. 57) and other applicable laws and comparable to the general practice and benchmark of the industry.

#### *Recruitment, Promotion and Dismissal*

In order to cope with our continuously growing business scale, we acquire talents from different countries and backgrounds to join our team. The Group strictly complies with the relevant laws and regulations in our employment and labour process such as recruitment, dismissal, promotion and remuneration of employees regardless of where we operate. The legitimate rights and interests of employees are protected in accordance with laws and regulations. Any appointment, promotion or termination of the employment contract would be based on reasonable, lawful grounds and internal policies. The Group strictly prohibits any kind of unfair or unreasonable dismissals. All dismissal procedures strictly follow the applicable laws and internal guidelines.



# Environmental, Social and Governance Report

## Remuneration and Work-life Balance

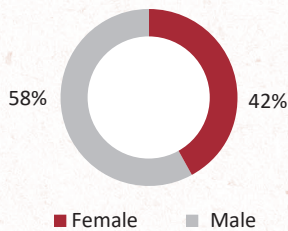
We have established a comprehensive system of remuneration, incentive and performance management to attract and retain talents for our long-term and stable growth. The system consists of the basic salary, mandatory and extra benefits (i.e. mandatory provident fund, medical and other insurance, annual leave, sick leave and other allowance), and monetary and non-monetary rewards (i.e. discretionary bonus and sales commission) for our employees. We seek to cultivate a culture of healthy work-life balance. All working hours comply with national laws and benchmark industry standards, and overtime work is voluntary.

## Equal Opportunity, Diversity and Anti-discrimination

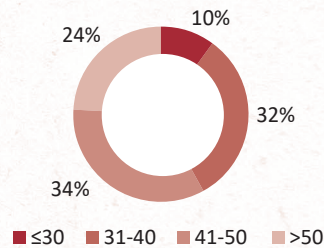
The Group aims to protect the employees from any discrimination, including racial, religious, age and disability discrimination. If any improper or illegal conduct is discovered, the Group will investigate, punish or dismiss the relevant employees. The Group will further improve the mechanism against illegal behaviour when necessary.

As at the end of the Reporting Period, the Group had an aggregate of 76 employees in Hong Kong (2022: 59). The following figures are based on the total number of employees at the end of the Reporting Period.

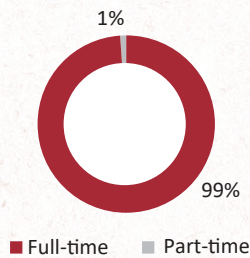
Number of Employee By Gender



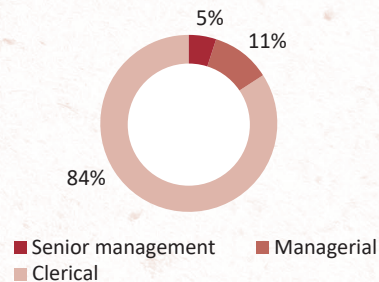
Number of Employee By Age Group



Number of Employee By Type of Employment



Number of Employee By Employee Category





# Environmental, Social and Governance Report

The Group has been providing more employee welfare and benefits in an effort to retain an optimal workforce. The total employee turnover rate during the Reporting Period was 25%. The charts below show the distribution of employee turnover by gender and age group during the Reporting Period.



During the Reporting Period, the Group did not have any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare and no violations were reported. The laws and regulations include but are not limited to the Employment Ordinance (Cap. 570), Disability Discrimination Ordinance (Cap. 487), Sex Discrimination Ordinance (Cap. 480), Minimum Wage Ordinance (Cap. 608), Employees' Compensation Ordinance (Cap. 282) and Mandatory Provident Fund Scheme Ordinance (Cap. 485), etc.

## Labour Standards

The Group has established human resource policies to ensure no child labour and forced labour are being employed. The Group's labour standards primarily focus on conformity with local labour laws and regulations. We strictly prohibit any child and forced labour in any of our operations and production process. We established a strict protocol for hiring, of which we screen candidates in accordance with the minimum age of their respective work locations.

In order to prevent illegal use of child or forced labour, the human resource department of the Group requires candidates to provide effective identification certification before confirmation of employment to ensure they can be employed lawfully. If there are any cases of forced labour, child labour and illegal immigrant labour, the employment contract with all these candidates will be immediately terminated. The Group would also take responsibility for the investigation and the follow-up process.

The Group strictly complied with the Employment Ordinance (Cap. 57) of Hong Kong and provided the required labour protection, safety and health conditions to ensure employees' safety during their services. The Group also paid wages and salaries, benefits and compensations on schedule.

During the Reporting Period, there have been no cases of material non-compliance with any relevant labour laws and regulations regarding the prevention of child and forced labour, including but not limited to the Employment Ordinance (Cap. 57) and Immigration Ordinance (Cap. 115).



# Environmental, Social and Governance Report

## *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 the 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. Every case of injury or accident and potential danger must be reported, and remediation action shall be taken to improve the safety of workplaces.

To maintain a healthy and productive workplace, it is important to implement health and safety rules. No smoking should be allowed in the office area. The consumption and immediate replacement of first-aid kits and medical supplies are monitored by designated personnel. Maintaining good hygiene in the office and toilet is crucial to prevent the spread of germs and bacteria.

Moreover, the Group displays posters about workplace safety at prominent places in warehouses and offices to raise awareness of health and safety among our employees. Talks on how to deal with stress in the workplace are also hosted to promote mental wellness. The Group also encourages regular body check-ups which can help employees stay healthy and prevent illnesses.

During the past three years, including the Reporting Period, the Group did not identify any casualties and accidents, nor did the Group identify any violations of laws and regulations in relation to the provision of a safe working environment and protecting employees from occupational hazards, including but not limited to Employees' Compensation Ordinance (Cap. 282) and Occupational Safety and Health Ordinance (Cap. 509), during the Reporting Period.

	2023	2022	2021
Number of work-related fatalities	0	0	0
Rate of work-related fatalities	0%	0%	0%
Lost days due to work injury	0	0	0

## *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 the training courses and receive up-to-date information on corporate governance and listing regulations.

As the regulations on food safety are rapidly changing, comprehensive training courses are provided to our procurement employees, warehouse employees 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.



# Environmental, Social and Governance Report

The Group also offers opportunities for internal promotion for employees in recognition of their outstanding performance and effort. We aspire to retain talents and develop their strengths and potential. During the Reporting Period, apart from on-the-job training, the Group sponsored and organised a total of 80.5 hours of training for 13 employees (1 senior management, 3 managerial employees and 9 clerical employees).

## Operating Practices and Social Investment

### *Supply Chain Management*

The Group attaches great importance to building and maintaining 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 example, food importers, wholesalers, brand owners, producers, agents and distributors). During the Reporting Period, the Group had a total of 199 suppliers from Hong Kong, China, Greece and Italy. With the aim of reducing carbon emissions and transportation cost, we give priority to purchasing general supplies within Hong Kong. 97% of the suppliers were located in Hong Kong.

Since environmental and social risks along the supply chain are also key concern of the Group, we will continue to review the updates of supply chain-related local policies to identify and minimize the associated environmental and social risks. Suppliers with non-compliance regarding respect for human rights, prohibited use of forced or child labour, and anti-corruption and legal compliance will be terminated.

Before entering partnerships with any supplier or contractor, the Group will evaluate the reliability, product safety, and product quality of the supplier or contractor. The Group will also consider their track record of compliance with laws and regulations, including the ability to provide their employees with a healthy and safe working environment and to reduce the negative impact on the environment and society. When selecting suppliers or contractors, we will require them to provide their business registration certificates or business licenses, necessary permits and government licenses (if applicable), qualification certificates, production safety permits and other management system certifications to ensure that they comply with relevant social and environmental laws and regulations.

Environmental-friendly requirements, such as using more environmentally preferable products, are set for the selection of suppliers. Priority is also given to suppliers with environmental and social certification or international recognition regarding aspects such as environmental management, energy conservation, human rights, occupational safety and anti-corruption.

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.





# Environmental, Social and Governance Report

## *Product Responsibility*

### *Quality Assurance*

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 the internal control manual to ensure the careful execution of the suggested procedures laid down by the relevant authorities. Examples of the suggested procedures are to:

1. register as a food importer and distributor;
2. update the main food categories and classifications applicable to us when there are changes in food types; and
3. renew and update the registrations, when necessary, to ensure our food safety measures are up to the latest standard.

### *Complaint Management*

The Group has implemented after-sales services to handle customers' complaints and product recalls. Upon receiving any complaints, we investigate and identify the causes and take rectification measures. During the Reporting Period, there were no products sold or shipped subject to recalls for safety and health reasons and the Group was not aware of any violation of the laws and regulations in relation to food safety.

### *Protection of Intellectual Property Rights*

The Group has registered trademarks that are material to its business, and to manage these registered trademarks, the Group has established a set of regulating procedures. The Group closely monitors its trademarks' expiry status and renews the trademarks whenever necessary. As part of the Group's regulating procedures, it also carries out regular monitoring to see whether its trademarks are infringed. If the Group discovers any infringement of its trademarks, it will engage professional parties, such as lawyers, and take legal action against such infringements in order to protect the Group and its stakeholders' rights and benefits.



# Environmental, Social and Governance Report

## *Protection of Customer Privacy*

The Group is committed to protecting customer data and privacy, as well as intellectual property rights. As stated in the Employee Handbook, employees should protect information defined as confidential by the Group and respect intellectual property. Confidential information must not be disclosed to third parties on any platform without prior approval from the senior management, otherwise investigation and disciplinary actions will be conducted. Employees are requested not to disclose any confidential information pertaining to the Company at any time during or after the period of their employment with the Company.

During the Reporting Period, the Group was not aware of any material non-compliance with the laws and regulations related to intellectual property rights and data privacy, such as the Personal Data (Privacy) Ordinance (Cap. 486).

## *Anti-Corruption*

The Group has formulated an anti-corruption policy to promote and support anti-corruption laws and regulations. We require employees to strictly conform to the code of business ethics and put any corruption or bribery behaviour 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 in their position for personal interest or benefit.

The Group is committed to working with suppliers who operate honestly and transparently. 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 prepared by Independent Commission Against Corruption (ICAC) to our Directors and employees. The Group provided all of the Directors and 3 employees with a total of 6 hours of training on anti-corruption to strengthen the anti-corruption practice and enhance its employees' awareness on conflicts of interest and integrity issues.

We have formulated a whistleblowing policy to enable our employees to raise concerns and report information confidentially when the employees have reasonable grounds to believe malpractice or impropriety. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

During the Reporting Period, the Group did not identify any non-compliance or legal cases in relation to corruption, fraud, money laundering and bribery, such as the Prevention of Bribery Ordinance (Cap. 201) and other national or regional laws and regulations.



# Environmental, Social and Governance Report

## 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.



### Caring Company

- The Group is honored to be recognized as a “Caring Company” by the Hong Kong Council of Social Services for eight consecutive years. The award recognizes our effort in demonstrating good corporate citizenship and developing a sustainable society.



### Heart-to-Heart Company

- The Group is recognized as the “Heart-to-Heart Company 2015-2023” by the Hong Kong Federation of Youth Groups for seven consecutive years. The Group aims to support the promotion of youth volunteering and exhibit our spirit of corporate citizenship by the sponsorship of Heart to Heart Neighbourhood Teams to serve the community.



### Social Capital Builder Logo Award

- Being one of the awardees proved the Group's achievement in building social capital and caring society. The Group is devoted to integrating social capital concepts into our operation by developing its social networks, social participation, information and communication, trust and solidarity, mutual help and reciprocity, and social cohesion and inclusion.



## Environmental, Social and Governance Report

During the outbreak of COVID-19, the Group always cares about the society and participated in the “Side by Side Against Epidemic” support plan organized by the Chinese Manufacturers’ Association of Hong Kong. The Group also support our employees to provide 18 hours of volunteering hours on the “Neighbourhood First · Rice-Giving Scheme” project organised by the Hong Kong Federation of Youth Groups to relieve the living burden of low-income family. Our volunteers assisted in the distribution of rice and give mental support and care to those in need.

Besides, the Group donated food supplies and health products amounting to HKD15,150 for lucky bags to citizens under quarantine in 6 community isolation facilities and HKD4,000 to The Hong Kong Federation of Youth Groups for supporting the youth services and projects during the Reporting Period. Furthermore, the Group also donated food and snacks for supporting the elderly charity sales of the Caritas Hong Kong. The Group always seeks to promote community service and contribute to the local community.



# Environmental, Social and Governance Report

## SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Aspects <sup>2</sup>	2023	2022	2021	Unit
<b>Aspect A1: Emissions</b>				
<b>A1.1 The types of emissions and respective emissions data</b>				
Nitrogen oxides (NO <sub>x</sub> )	<b>836.83</b>	154.21	75.77	kg
Sulphur oxides (SO <sub>x</sub> )	<b>0.47</b>	0.06	0.02	kg
Respirable suspended particles (RSP)	<b>51.76</b>	7.26	3.55	kg
<b>A1.2 Greenhouse gas emissions in total and intensity</b>				
Scope 1 emissions	<b>83.9</b>	10.5	3.4	tonnes CO <sub>2</sub> -e
Scope 2 emissions	<b>124.6</b>	90.5	110.7	tonnes CO <sub>2</sub> -e
Scope 3 emissions	<b>0.3</b>	0.3	–	tonnes CO <sub>2</sub> -e
Total greenhouse gas emissions	<b>208.8</b>	101.3	114.1	tonnes CO <sub>2</sub> -e
Intensity (by revenue) <sup>3</sup>	<b>0.729</b>	0.420	0.501	tonnes CO <sub>2</sub> -e/ million HKD revenue
<b>A1.4 Non-hazardous waste</b>				
Total non-hazardous waste produced	<b>0.62</b>	0.65	0.67	tonnes
Intensity (by revenue)	<b>0.002</b>	0.003	0.003	tonnes/million HKD revenue
<b>Aspect A2: Use of Resources</b>				
<b>A2.1 Direct and/or indirect energy consumption by type</b>				
Direct energy consumption	<b>1,111.7</b>	134.7	43.2	GJ
Indirect energy consumption	<b>319.5</b>	244.6	217.0	MWh
Total energy consumption	<b>628.3</b>	282.1	229.0	MWh-e
Intensity (by revenue)	<b>2.195</b>	1.169	1.006	MWh-e/million HKD revenue
<b>A2.2 Water consumption in total and intensity</b>				
Total water consumption	<b>378.0</b>	452.0	219.6	m <sup>3</sup>
Intensity (by revenue)	<b>1.32</b>	1.87	0.96	m <sup>3</sup> /million HKD revenue
<b>A2.5 Packaging material used for finished products</b>				
Total packaging material used	<b>53.4</b>	57.8	49.9	tonnes
Intensity (by revenue)	<b>0.187</b>	0.239	0.219	tonnes/million HKD revenue

<sup>2</sup> The environmental KPIs are calculated in accordance with the “How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange.

<sup>3</sup> Intensity of total greenhouse gas emissions = Total greenhouse gas emissions ÷ Total revenue during the Reporting Period



# Environmental, Social and Governance Report

Social Aspects <sup>4</sup>		2023	2022	2021	Unit
<b>Aspect B1: Employment</b>					
<b>B1.1</b>	<b>Total workforce</b>				
	Total number of employees	76	59	50	employee
	By gender				
	Female	32	27	27	employee
	Male	44	32	23	employee
	By employment type				
	Full-time	75	56	49	employee
	Part-time	1	3	1	employee
	By age group				
	30 years old or below	8	12	5	employee
	31-40 years old	24	20	18	employee
	41-50 years old	26	21	14	employee
	Over 50 years old	18	6	13	employee
	By employee category				
	Senior Management	4	5	–	employee
	Managerial	8	6	–	employee
	Clerical	64	48	–	employee
	By function				
	Executive	4	5	–	employee
	Administrative	72	54	–	employee
	By geographical region				
	Hong Kong	76	59	–	employee
<b>B1.2</b>	<b>Employee turnover rate</b>				
	Total employee turnover rate	25%	25%	–	%
	By gender				
	Female	22%	30%	39%	%
	Male	27%	22%	59%	%
	By employment type				
	Full-time	25%	25%	–	%
	Part-time	0%	33%	–	%
	By age group				
	Under 30 years old	25%	0%	20%	%
	31-40 years old	25%	25%	78%	%
	41-50 years old	27%	19%	43%	%
	Over 50 years old	22%	33%	31%	%
	By employee category				
	Senior management	25%	–	–	%
	Managerial	0%	–	–	%
	Clerical	28%	–	–	%
	By geographical region				
	Hong Kong	25%	25%	–	%
<b>Aspect B2: Health and Safety</b>					
<b>B2.1</b>	Number of work-related fatalities	0	0	0	no.
	Rate of work-related fatalities	0%	0%	0%	%
<b>B2.2</b>	Lost days due to work injury	0	0	0	day

<sup>4</sup> The social KPIs are calculated in accordance with the “How to Prepare an ESG Report? – Appendix 3: Reporting Guidance on Social KPIs” issued by the Stock Exchange.



# Environmental, Social and Governance Report

Social Aspects <sup>4</sup>		2023	2022	2021	Unit
<b>Aspect B3: Development and Training</b>					
<b>B3.1</b>	<b>Percentage of trained employees<sup>5</sup></b>				
	Percentage of total employees trained	17%	14%	–	%
	By gender				
	Female	62%	50%	100%	%
	Male	38%	50%	0%	%
	By employee category				
	Senior management	8%	38%	50%	%
	Managerial	23%	38%	0%	%
	Clerical	69%	25%	50%	%
	By function				
	Executive	8%	38%	–	%
	Administrative	92%	63%	–	%
<b>B3.2</b>	<b>Average training hours completed</b>				
	Average training hours per employee	1.1	0.4	–	hour/employee
	By gender				
	Female	2.1	0.3	0	hour/employee
	Male	0.3	0.4	0.3	hour/employee
	By employee category				
	Senior management	1.5	2.2	0.2	hour/employee
	Managerial	3.4	0.7	0	hour/employee
	Clerical	0.7	0.1	0.2	hour/employee
	By function				
	Executive	1.5	2.2	–	hour/employee
	Administrative	1.0	0.1	–	hour/employee
<b>Aspect B5: Supply Chain Management</b>					
<b>B5.1</b>	<b>Number of suppliers by geographical region</b>				
	Total number of suppliers	199	196	193	supplier
	By geographical region				
	Hong Kong	194	192	189	supplier
	China	2	1	1	supplier
	Greece	1	1	1	supplier
	Italy	2	2	2	supplier
<b>Aspect B6: Product Responsibility</b>					
<b>B6.1</b>	Percentage of total products sold or shipped subject to recalls	0%	0%	–	%
<b>B6.2</b>	Number of products and service-related complaints received	0	5	–	no.

<sup>5</sup> Due to rounding, numbers may not add up precisely to the totals provided and percentages may not reflect the absolute figures.



# Environmental, Social and Governance Report

Social Aspects <sup>4</sup>		2023	2022	2021	Unit
<b>Aspect B7: Anti-corruption</b>					
<b>B7.1</b>	Number of concluded legal cases regarding corruption	0	0	0	case
<b>B7.3 Anti-corruption training<sup>6</sup></b>					
	Number of anti-corruption training sessions	1	-	-	no.
	Total number of training hours related to anti-corruption	6	-	-	hour
	Number of employees received training				
	Directors	3	-	-	no.
	Employees	3	-	-	no.
	Number of training hours				
	Directors	3	-	-	hour
	Employees	3	-	-	hour
<b>Aspect B8: Community Investment</b>					
<b>B8.2 Resources contributed</b>					
	Total amount of donation in cash	19,150	4,000	11,850	HKD
	Total voluntary hours	18	18	18	hour

<sup>6</sup> Relevant figures are disclosed from 2023 onwards.



# Independent Auditor's Report



**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 (the “**Group**”) set out on pages 81 to 139, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2023, 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 (the “**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 Auditor’s 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. The key audit matters we identified are:

1. Valuation of inventories
2. Impairment assessment on trade receivables

### Key audit matter

### How our audit addressed the key audit matter

#### *Valuation of inventories*

Refer to notes 4 and 5 to the consolidated financial statements of significant accounting policies and critical accounting judgements and key estimates.

The Group had a significant inventories balance of HK\$32,112,000, which were merchandises of food and beverage grocery products, as at 31 March 2023.

We identified the valuation of inventories as a key audit matter due to the use of estimation by the management of the Group in identifying slow-moving and obsolete inventories and estimating the allowance for inventories.

The management of the Group reviewed the ageing analysis of the items of inventory and conditions at the end of the reporting period to identify slow moving and obsolete inventory items. Further, the management of the Group further assessed the net realisable value of the items of inventory by considering the subsequent selling prices and current market conditions.

Our procedures in relation to the valuation of inventories included:

- Obtaining an understanding of the Group's internal control policy and how allowance for inventories is estimated by the management;
- Attending physical inventory counting to identify the existence of any slow moving and obsolete inventories by observing 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 to identify any slow-moving items of inventory; and
- Assessing the reasonableness of net realisable values with reference to the selling prices subsequent to year end, on a sample basis, against the sales invoices and current market conditions of the inventories.



## Independent Auditor's Report

### Key audit matter

#### *Impairment assessment on trade receivables*

Refer to notes 4, 5, 6 and 19 to the consolidated financial statements of significant accounting policies, critical accounting judgements and key estimates and relevant disclosure.

The carrying amount of the Group's trade receivables was HK\$39,695,000 as at 31 March 2023.

The measurement of forward-looking expected credit loss ("ECL") approach requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models.

Due to the significant amount of trade receivables and the corresponding uncertainty inherent in such estimates, we consider this as a key audit matter.

### How our audit addressed the key audit matter

Our procedures in relation to management's assessment of ECL on the trade receivables included:

- Obtaining an understanding of and evaluating the Group's credit policies and internal control on ECL assessment;
- Testing the integrity of information used by management, including trade receivables aging analysis on a sample basis, by comparing individual items in the analysis with relevant invoice and other supporting documents;
- With the assistance of auditor's expert, assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward looking information and assessing whether there was an indication of management bias;
- Reviewing the appropriateness of the disclosure of credit risk and ECL in the consolidated financial statements.



# Independent Auditor's Report

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are 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 auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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 HKSAAs 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.



# Independent Auditor's Report

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

As part of an audit in accordance with HKSA's, 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



# Independent Auditor's Report

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

**McMillan Woods (Hong Kong) CPA Limited**  
Certified Public Accountants

**Ho Wai Kuen**  
Audit Engagement Director  
Practising Certificate Number: P05966

24/F, Siu On Centre,  
188 Lockhart Road,  
Wanchai, Hong Kong

Hong Kong, 26 June 2023



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	8	286,244	241,372
Cost of sales		(219,429)	(183,040)
Gross profit		66,815	58,332
Other income	9	4,557	272
Other gains and losses, net	10	(4,860)	(387)
Selling and distribution expenses		(34,601)	(28,689)
Administrative and other expenses		(35,152)	(30,567)
Loss from operations		(3,241)	(1,039)
Finance costs	12	(699)	(499)
Loss before tax	13	(3,940)	(1,538)
Income tax expense	14	(468)	(599)
Loss and total comprehensive loss for the year		(4,408)	(2,137)
<b>Loss and total comprehensive loss for the year attributable to:</b>			
Owners of the Company		(4,408)	(2,137)
<b>Loss per share</b>	16		
Basic (HK cent)		(0.379)	(0.184)
Diluted (HK cent)		N/A	N/A



# Consolidated Statement of Financial Position

As at 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	3,428	2,888
Right-of-use assets	18	18,726	8,123
Rental and other deposits	20	1,837	696
		<b>23,991</b>	<b>11,707</b>
<b>Current assets</b>			
Inventories – merchandise at cost		32,112	38,406
Trade receivables	19	39,695	36,907
Other receivables, deposits and prepayments	20	4,128	6,346
Tax recoverable		145	–
Pledged bank deposits	21	552	–
Cash and cash equivalents	21	34,981	29,797
		<b>111,613</b>	<b>111,456</b>
<b>Current liabilities</b>			
Trade payables	22	11,989	9,524
Other payables and accrued charges	23	6,433	3,088
Contract liabilities	24	386	440
Tax payable		–	229
Lease liabilities	25	6,167	3,157
		<b>24,975</b>	<b>16,438</b>
<b>Net current assets</b>		<b>86,638</b>	<b>95,018</b>
<b>Total asset less current liabilities</b>		<b>110,629</b>	<b>106,725</b>
<b>Non-current liabilities</b>			
Lease liabilities	25	13,622	5,310
<b>NET ASSETS</b>		<b>97,007</b>	<b>101,415</b>
<b>Equity and reserves</b>			
Equity attributable to owners of the Company			
Share capital	26	11,620	11,620
Reserves		85,387	89,795
<b>TOTAL EQUITY</b>		<b>97,007</b>	<b>101,415</b>

Approved and authorised for issue by the board of directors on 26 June 2023 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 2023

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000 (note i)	Share based- payment reserves HK\$'000 (note ii)	Other reserves HK\$'000 (note iii)	Retained profits HK\$'000	Total Equity HK\$'000
At 1 April 2021	11,620	62,742	15,419	5,584	8,187	103,552
Loss and total comprehensive loss for the year	-	-	-	-	(2,137)	(2,137)
Changes in equity for the year	-	-	-	-	(2,137)	(2,137)
<b>At 31 March 2022 and 1 April 2022</b>	11,620	62,742	15,419	5,584	6,050	101,415
Loss and total comprehensive loss for the year	-	-	-	-	(4,408)	(4,408)
Lapse of share options	-	-	(15,419)	-	15,419	-
Changes in equity for the year	-	-	(15,419)	-	11,011	(4,408)
<b>At 31 March 2023</b>	11,620	62,742	-	5,584	17,061	97,007

Note:

- (i) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (ii) It represents the fair value of the shares options granted to the employees of the Company and its subsidiaries on 19 February 2021 under the Share Option Scheme (as defined in note 30) that has been recognised in accordance with the accounting policy adopted for equity-settled share-based payments transaction.
- (iii) The amounts represent the difference between acquisition of addition of interests of subsidiaries and the share capital of subsidiaries.



# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(3,940)	(1,538)
Adjustments for:		
Interest income	(162)	(68)
COVID-19-Related rent concessions	(37)	(133)
Loss on disposal of property, plant and equipment	349	447
Gain on disposal of right-of-use assets	-	(161)
Depreciation of property, plant and equipment	2,353	2,809
Depreciation of right-of-use assets	5,395	4,850
Impairment losses for trade receivables	4,511	-
Finance costs	699	499
<b>Operating profit before working capital changes</b>	<b>9,168</b>	<b>6,806</b>
Decrease/(increase) in inventories	6,294	(6,126)
(Increase)/decrease in trade receivables	(7,299)	1,202
Decrease/(increase) in other receivables, deposits and prepayments	972	(4,120)
Increase in trade payables	2,465	1,577
Increase/(decrease) in other payables and accrued charges	3,345	(702)
Decrease in contract liabilities	(54)	(196)
<b>Cash generated from/(used in) operations</b>	<b>14,891</b>	<b>(1,559)</b>
Income tax paid	(842)	(464)
<b>Net cash generated from/(used in) operating activities</b>	<b>14,049</b>	<b>(2,023)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	97	15
Purchases of property, plant and equipment	(3,310)	(2,266)
Sales proceeds from disposal of property, plant and equipment	68	430
Sales proceeds from disposal of right-of-use assets	-	42
Placement of pledged bank deposits	(552)	-
<b>Net cash used in investing activities</b>	<b>(3,697)</b>	<b>(1,779)</b>



# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal elements of lease liabilities paid		(4,469)	(4,340)
Interest on lease liabilities paid		(699)	(499)
<b>Net cash used in financing activities</b>		<b>(5,168)</b>	<b>(4,839)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5,184</b>	<b>(8,641)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>			
		29,797	38,438
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>			
		34,981	29,797
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	21	34,981	29,797



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. GENERAL INFORMATION

Asia Grocery Distribution Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2016 Revision) of the Cayman Islands on 29 September 2016. The shares of the Company (the “**Shares**”) have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**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 is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and principal place of business is The Whole of Upper Ground Floor, Mai Tong Industrial Building, No. 22 Sze Shan Street, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in trading and distribution of food and beverage grocery products. In prior years, the Group also engaged in the provision of food catering services through the operation of restaurant in Hong Kong which was closed in during the year ended 31 March 2022. The details of the subsidiaries are set out in note 31 to the consolidated financial statements.

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

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”) and by the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are set out in note 3 below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. APPLICATION OF NEW AND REVISED TO HKFRSs

### (a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The Group did not has significant impacts and change its accounting policies or make retrospective adjustments as a result of adopting amended standards or annual improvements.

### (b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning on or after 1 April 2022. These new amendments to standards and interpretation include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 17 – Insurance contracts	1 January 2023
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024

The Group is in the process of making an assessment of what the impact of these new amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared on the historical cost convention at the end of each reporting period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Consolidation (continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the noncontrolling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### (b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is accounted for at cost less impairment, if any. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Foreign currency translation (continued)

#### (iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

### (d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Property, plant and equipment (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of items of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less its estimated useful lives on straight-line basis. The principal annual rates used for this purpose are as follows:

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

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal or retirement of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit or loss in the year the asset is derecognised.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Leasing

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### *The Group as a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

To determine the incremental borrowing rate, the Group:

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Leasing (continued)

#### *The Group as a lessee (continued)*

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group's 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 and loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (g) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Debt investments*

Debt investments held by the Group are classified into amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) 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 in the ordinary course of business, less all estimated cost of completion and the estimated costs necessary to make the sale. Cost necessary to make the sale include incremental cost directly attributable to sales and non-incremental costs which the Group must incur to make the sales.

### (i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and 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 financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and time deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit loss ("ECL").



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### (l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (m) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### (n) Revenue and other income

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Revenue and other income (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### *Sale of goods*

Revenue from sales of food and grocery products are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products.

#### *Handling fee income*

Handling fee income is recognised when the services are rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the services. Provision of services mainly comprised (i) warehouse services; (ii) consultancy services and (iii) logistics services.

#### *Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

#### (iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognizes restructuring costs and involves the payment of termination benefits.

### (p) Share-based payments

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited or lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits as a movement in reserves.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### (r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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 the reporting period.

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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Taxation (continued)

Deferred tax is calculated 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 rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### (s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit ("CGU").

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, trade receivables, other receivables and deposits, pledged bank deposits and cash and cash equivalents. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Impairment of financial assets (continued)

#### *Significant increase in credit risk (continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default;
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Impairment of financial assets (continued)

#### *Significant increase in credit risk (continued)*

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Impairment of financial assets (continued)

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;  
or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Impairment of financial assets (continued)

#### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

The Group uses a practical expedient in estimating ECL on trade receivables using a provisional matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without under cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### (v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

### (w) Related parties

A related party is a person or entity that is related to the reporting entity.

- (a) A person, or a close member of that person's family, is related to the reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Related parties (continued)

- (b) An entity is related to the reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity 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 an associate or joint venture of a member of a group which the other entity is a member).
  - (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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of 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, provided key management personal services to the reporting entity or to the parent of the reporting entity.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, service or obligations between the reporting entity and a related party, regardless of whether a price is charged.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 estimate 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.

### **Critical judgements in applying accounting policies**

In the process of applying the accounting policies, the directors of the Company have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### ***Significant increase in credit risk***

As explained in note 4, ECL on financial assets other than trade receivables are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES (continued)

### Key sources of estimation uncertainty

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 and liabilities within the next financial year, are discussed below.

#### (a) Allowances for inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

No allowance for inventories are recognised for the years ended 31 March 2023 and 2022. The carrying amounts of inventories, which are food and beverage grocery products, are HK\$32,112,000 (2022: HK\$38,406,000).

#### (b) Allowance for expected credit losses of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6 to the consolidated financial statements.

As at 31 March 2023, the carrying amount of trade receivables were approximately HK\$39,695,000 (2022: HK\$36,907,000). Details of the trade receivables are disclosed in note 19 to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 6. FINANCIAL RISK MANAGEMENT

### Categories of financial instruments

Categories of financial instruments at 31 March:

	2023 HK\$'000	2022 HK\$'000
Financial assets		
At amortised cost (including cash and cash equivalents)		
Trade receivables	39,695	36,907
Other receivables and deposits	2,256	1,674
Pledged bank deposits	552	–
Cash and cash equivalents	34,981	29,797
	<b>77,484</b>	<b>68,378</b>
Financial liabilities		
At amortised cost		
Trade payables	11,989	9,524
Other payables and accrued charges	6,433	3,088
Lease liabilities	19,789	8,467
	<b>38,211</b>	<b>21,079</b>

### Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, pledged bank deposits, cash and cash equivalents, trade payables and other payables and accrued charges. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures implemented on a timely and effective manner. The policies on how to mitigate these risks are set out below.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 6. FINANCIAL RISK MANAGEMENT (continued)

### Financial risk management objectives and policies (continued)

#### *Foreign currency risk*

The Group entities mainly operated in their local jurisdiction with most of the business transactions, assets and liabilities principally denominated in their functional currency and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

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.

As at 31 March 2023 and 2022, no sensitivity analysis in change in exchange rate of HK\$ against other currencies is presented, as a reasonably possible change in exchange rate would have no significant impact on the Group's profit or loss.

#### *Interest rate risk*

As at 31 March 2023 and 2022, the Group is exposed to cash flow interest rate risk in relation to bank balances. The cash flow interest rate risk from bank balances with variable rate that vary with the then prevailing condition.

The Group's lease liabilities and pledged bank deposits bear interests at fixed interest rates are therefore subject to fair value interest rate risks.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

As at 31 March 2023 and 2022, no sensitivity analysis of bank balances is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

#### *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits, and cash and cash equivalent.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 6. FINANCIAL RISK MANAGEMENT (continued)

### Financial risk management objectives and policies (continued)

#### *Credit risk (continued)*

##### *Trade receivables*

In order to minimise the credit risk of trade receivables, the management of the Group adopted a policy on providing credit facilities to 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 Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. Credit-impaired trade debtors and trade debtors with significant balances are assessed for ECL individually. Except for trade debtors that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped based on certain common credit risk characteristics by reference to the Group's ageing of outstanding balances.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 6. FINANCIAL RISK MANAGEMENT (continued)

### Financial risk management objectives and policies (continued)

#### *Credit risk (continued)*

#### *Trade receivables (continued)*

During the years ended 31 March 2023 and 2022, no provision of ECL on trade receivables was recognised as the amounts of ECL as 31 March 2023 and 2022 are insignificant.

As at 31 March 2023 and 2022, the Group has no significant concentration of credit risk in trade receivables, with exposure spread over a number of counterparties.

#### *Other receivables and other deposits*

For other receivables and other deposits, the Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate, the likelihood of recovery, the prevailing economic conditions and supportive forwarding-looking information.

At 31 March 2023 and 2022, most of the other receivables and other deposits are neither past due or overdue for 1–30 days with a minimal expected loss rate, and have no material impact on the consolidated financial statements. Accordingly, no provision of ECL on other receivables and other deposits was recognised for the years ended 31 March 2023 and 2022.

#### *Pledged bank deposits and cash and cash equivalent*

The credit risk arising for pledged bank deposits and cash and cash equivalent are limited as the counterparties are banks with good high credit-rating assigned by international credit agencies, for which the Group considers to have low credit risk.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 6. FINANCIAL RISK MANAGEMENT (continued)

### Financial risk management objectives and policies (continued)

#### 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 liquidity analysis for its non-derivative financial liabilities. The table has been drawn up based on the contractual undiscounted cash flows of Group's 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 at the end of the reporting period are based on the agreed repayment dates.

#### As at 31 March 2023

	Weighted average effective interest rate %	Within 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Trade payables	N/A	11,989	-	-	11,989	11,989
Other payables and accrued charges	N/A	6,433	-	-	6,433	6,433
Lease liabilities	5.32	7,046	7,316	7,060	21,422	19,789
		25,468	7,316	7,060	39,844	38,211

#### As at 31 March 2022

	Weighted average effective interest rate %	Within 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Trade payables	N/A	9,524	-	-	9,524	9,524
Other payables and accrued charges	N/A	3,088	-	-	3,088	3,088
Lease liabilities	5.26	3,485	1,614	4,176	9,275	8,467
		16,097	1,614	4,176	21,887	21,079

### Fair value of financial instruments

Management of the Group considers that the carrying amounts of financial assets and financial liabilities as at 31 March 2023 and 2022 recorded at amortised cost in the consolidated financial statements approximate their fair values.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 7. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard 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 equity of the Group, comprising issued share capital, other reserves and retained 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.

No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

The only externally imposed capital requirement for the Group is that in order to maintain its listing on GEM of the Stock Exchange, it has to have a public float of at least 25% (2022: 25%) of the shares.

The Company has maintained a sufficient public float to comply with the GEM Listing Rules throughout for the years ended 31 March 2023 and 2022.

## 8. REVENUE AND SEGMENTAL INFORMATION

All revenue contracts are for period of one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed. Please refer to note 4 to the consolidated financial statements for details of revenue recognition.

Disaggregation of revenue from contracts with customers by major products or service line is as follows:

	2023 HK\$'000	2022 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
Disaggregated by types of goods and service line:		
Commodities and cereal products (note a)	90,276	71,918
Packaged food (note b)	57,777	52,999
Sauce and condiment	57,329	48,924
Dairy products and eggs	36,179	31,205
Beverage and wine	23,364	16,287
Kitchen and hygiene products (note c)	21,319	17,564
Restaurants operation	–	2,475
	<b>286,244</b>	<b>241,372</b>
Time of revenue recognition within the scope of HKFRS 15:		
At a point in time	<b>286,244</b>	<b>241,372</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 8. REVENUE AND SEGMENTAL INFORMATION (continued)

The customers of the Group are solely in Hong Kong.

Note:

- (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 and hygiene 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, hygiene products such as face masks and gloves.

### **Segment information**

The Group's operation is principally 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 4 to the consolidated financial statements. Accordingly, the Group has only one single operating segment and only entity-wide disclosures, geographical information and major customers are presented.

### **Geographical information**

The Group's revenue are all derived from Hong Kong based on the location of transactions and the Group's property, plant and equipment and right-of-use assets amounting to approximately HK\$3,428,000 and HK\$18,726,000 respectively (2022: HK\$2,888,000 and HK\$8,123,000) as at 31 March 2023 are all located in Hong Kong based on the physical location of assets.

### **Information about major customers**

For both years, no single customer accounted for 10% or more of the Group's total revenue and no information about major customers is presented accordingly.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 9. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
COVID-19-Related rent concessions	37	133
Government grants (note)	1,501	-
Handling fee	2,731	-
Interest income	162	68
Sundry income	126	71
	<b>4,557</b>	<b>272</b>

note: The government grants for the year ended 31 March 2023 represent the grant in relation to the Employment Support Scheme of approximately HK\$1,351,000 (2022: nil) and Catering Business Subsidy Scheme of approximately HK\$150,000 (2022: nil) provided by the Government of the Hong Kong Special Administrative Region, of which the Group complied with all attached conditions and therefore such grants were recognised as other income during the year ended 31 March 2023.

## 10. OTHER GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Bad debts written off	(4,511)	(101)
Loss on disposal of property, plant and equipment	(349)	(447)
Gain on disposal of right-of-use assets	-	161
	<b>(4,860)</b>	<b>(387)</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

### (a) Directors' emoluments

The emoluments paid or payable to the directors and the chief executive of the Company (including emoluments for services as employee/directors of the Group entities) by the entities comprising the Group during the year, were as follows:

#### For the year ended 31 March 2023

	Mr. Wong Siu Man (note a) HK\$'000	Mr. Wong Siu Wa (note a) HK\$'000	Mr. Yip Kam Cheong (note a) HK\$'000	Mr. Wong Chun Hung, Hanson (note b) HK\$'000	Mr. Wang Zhaobin (note b) HK\$'000	Ms Chan Hoi Yee (note b) HK\$'000	Mr. Ng Fan Kay Frankie (note b) HK\$'000	Total HK\$'000
Fees	-	-	162	50	96	120	180	608
Other emoluments	250	230	-	-	-	-	-	480
Salaries and allowances	2,784	2,545	622	-	-	-	-	5,951
Retirement scheme contributions	18	18	26	-	-	-	-	62
<b>Total emoluments</b>	<b>3,052</b>	<b>2,793</b>	<b>810</b>	<b>50</b>	<b>96</b>	<b>120</b>	<b>180</b>	<b>7,101</b>

#### For the year ended 31 March 2022

	Mr. Wong Siu Man (note a) HK\$'000	Mr. Wong Siu Wa (note a) HK\$'000	Mr. Yip Kam Cheong (note a) HK\$'000	Mr. Wong Chun Hung, Hanson (note b) HK\$'000	Mr. Wang Zhaobin (note b) HK\$'000	Ms Chan Hoi Yee (note b) HK\$'000	Mr. Ng Fan Kay Frankie (note b) HK\$'000	Total HK\$'000
Fees	-	-	158	50	96	120	180	604
Other emoluments	200	180	-	-	-	-	-	380
Salaries and other allowances	2,101	1,867	606	-	-	-	-	4,574
Retirement scheme contributions	18	18	26	-	-	-	-	62
<b>Total emoluments</b>	<b>2,319</b>	<b>2,065</b>	<b>790</b>	<b>50</b>	<b>96</b>	<b>120</b>	<b>180</b>	<b>5,620</b>

note:

- The emoluments of these directors were mainly for their services in connection with management of the affairs of the Company and its subsidiaries.
- The independent non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiary.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

### (a) Directors' emoluments (continued)

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 received any termination benefits during both years. None of the directors of the Company have waived any remuneration during both years.

There was no discretionary bonus paid or payable to any of the directors of the Company during both years.

Save as disclosed in note 27 to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### (b) Five highest paid employees

The five highest paid individuals include three (2022: three) directors of the Company whose emoluments are included in the disclosures in (a) above for the year ended 31 March 2023. The emoluments of the remaining two (2022: two) individuals for the year ended 31 March 2023 were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	2,119	1,737
Retirement benefit scheme contributions	36	36
	2,155	1,773

Their emoluments were within the following bands:

	2023 Number of employees	2022 Number of employees
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	1	Nil

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 12. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	699	499

## 13. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2023 HK\$'000	2022 HK\$'000
Directors' emoluments (note 11)	7,101	5,620
Other staff costs		
Salaries and other benefits	19,949	15,175
Retirement scheme contributions	827	632
Total staff costs (including directors' emoluments)	27,877	21,427
Auditor's remuneration		
– audit service	570	570
Depreciation of property, plant and equipment	2,353	2,809
Depreciation of right-of-use assets	5,395	4,850
Expenses relating to short term lease	455	721
Cost of inventories recognised as an expense	219,429	183,040

## 14. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Hong Kong Profits Tax:		
– Current tax	468	599

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2,000,000 of assessable profits of qualifying group entities established in Hong Kong will be taxed at 8.25% (2022: 8.25%), and assessable profits above HK\$2,000,000 will be subject to the rate of at 16.5% (2022: 16.5%). The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 14. INCOME TAX EXPENSE (continued)

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiaries registered in the Cayman Islands and the BVI are not subject to any income tax in the Cayman Islands and the BVI, respectively.

The reconciliation between income tax and the product of loss before tax multiplied by the applicable tax rates is as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before tax	(3,940)	(1,538)
Tax at the Hong Kong Tax rate of 16.5% (2022: 16.5%)	(650)	(254)
Tax effect of income not taxable for tax purpose	(241)	(27)
Tax effect of expenses not deductible for tax purpose	870	389
Tax effect of temporary differences not recognised	675	310
Tax effect of unused tax losses not recognised	14	366
Tax effect of utilisation of tax losses	(23)	-
Tax reduction	(12)	(20)
Income tax on concessionary rates	(165)	(165)
Income tax expense	468	599

At the end of reporting period, the Group had no significant amount of deferred tax assets and liabilities.

As at 31 March 2023, the Group has unused estimate tax losses of approximately HK\$2,563,000 (2022: HK\$2,620,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused estimated tax losses due to the unpredictability of future profit streams and unrecognised tax losses may be carried forward indefinitely.

## 15. DIVIDEND

The board of directors does not recommend the payments of any dividend in respect of the years ended 31 March 2023 and 2022.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 16. LOSS PER SHARE

### (a) Basic loss per share

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

	2023 HK\$'000	2022 HK\$'000
Loss:		
Loss for the year attributable to owners of the Company and loss for the purpose of calculating basic loss per share	(4,408)	(2,137)
	2023 '000	2022 '000
Number of share:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,162,000	1,162,000
Loss per share (HK cent)	(0.379)	(0.184)

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share for the year ended 31 March 2023 as the outstanding potential ordinary shares of the Company did not have dilutive effect during the year.

No diluted loss per share had been presented for the year ended 31 March 2022 as the outstanding share options are anti-dilutive.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 17. 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
<b>Cost</b>					
At 1 April 2021	4,929	1,218	2,765	1,419	10,331
Additions	1,218	671	282	95	2,266
Disposals	(1,122)	-	(120)	-	(1,242)
At 31 March 2022 and 1 April 2022	5,025	1,889	2,927	1,514	11,355
Additions	-	76	89	3,295	3,460
Disposals	-	-	-	(805)	(805)
<b>At 31 March 2023</b>	<b>5,025</b>	<b>1,965</b>	<b>3,016</b>	<b>4,004</b>	<b>14,010</b>
<b>Accumulated depreciation</b>					
At 1 April 2021	2,364	885	1,857	917	6,023
Charged for the year	1,821	322	434	232	2,809
Disposals	(348)	-	(17)	-	(365)
At 31 March 2022 and 1 April 2022	3,837	1,207	2,274	1,149	8,467
Charged for the year	730	315	355	953	2,353
Disposals	-	-	-	(238)	(238)
<b>At 31 March 2023</b>	<b>4,567</b>	<b>1,522</b>	<b>2,629</b>	<b>1,864</b>	<b>10,582</b>
<b>Carrying amount</b>					
<b>At 31 March 2023</b>	<b>458</b>	<b>443</b>	<b>387</b>	<b>2,140</b>	<b>3,428</b>
At 31 March 2022	1,188	682	653	365	2,888



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 18. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>			
At 1 April 2021	14,194	635	14,829
Additions	7,198	–	7,198
Disposals	(2,863)	(635)	(3,498)
At 31 March 2022 and 1 April 2022	18,529	–	18,529
Additions	15,998	–	15,998
<b>At 31 March 2023</b>	<b>34,527</b>	<b>–</b>	<b>34,527</b>
<b>Accumulated depreciation</b>			
At 1 April 2021	6,552	428	6,980
Charged for the year	4,834	16	4,850
Disposals	(980)	(444)	(1,424)
At 31 March 2022 and 1 April 2022	10,406	–	10,406
Charged for the year	5,395	–	5,395
<b>At 31 March 2023</b>	<b>15,801</b>	<b>–</b>	<b>15,801</b>
<b>Carrying amount</b>			
<b>At 31 March 2023</b>	<b>18,726</b>	<b>–</b>	<b>18,726</b>
At 31 March 2022	8,123	–	8,123

For both years, the Group leases properties for operating use. Lease contracts are entered into for fixed term of 2 months to 5 years (2022: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 18. RIGHT-OF-USE ASSETS (continued)

Lease liabilities of approximately HK\$19,789,000 (2022: HK\$8,467,000) are recognised with the related right-of-use assets of HK\$18,726,000 (2022: HK\$8,123,000) at 31 March 2023. The lease agreements do not impose any covenants and leased assets are not used as security for borrowing purposes.

	2023 HK\$'000	2022 HK\$'000
Gain on disposal of right of right-of-use assets	–	(161)
Depreciation expenses of right-of-use assets	5,395	4,850
Interest expense on lease liabilities (included in finance costs)	699	499
Expenses relating to short term leases (included in administrative and other expenses)	455	721
COVID-19 Related rent concessions received	(37)	(133)

Details of total cash outflow of leases is set out in the note 32 to the consolidated financial statements.

## 19. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	39,695	36,907

The Group grants credit terms of 0 – 90 days to its customers from the date of invoices. 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.

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.

	2023 HK\$'000	2022 HK\$'000
0 – 30 days	20,766	15,363
31 – 60 days	9,924	3,662
61 – 90 days	1,753	5,118
91 – 180 days	331	12,764
181 – 365 days	6,921	–
	39,695	36,907

The carrying amounts of the Group's trade receivables are denominated in Hong Kong dollars.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 19. TRADE RECEIVABLES (continued)

The Group has written off of approximately HK\$4,511,000 (2022: HK\$101,000) on trade receivables during the year ended 31 March 2023, as the directors of the Company considered that collectability 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.

The Group has a policy for allowance of ECL which is based on the evaluation of collectability and ageing analysis of accounts and on management’s judgement including the creditworthiness, past collection history of each client and supportive forward-looking information.

At as at 31 March 2023, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of the HK\$19,587,000 (2022: HK\$21,160,000) which are past due as at the reporting date. Out of the past due balances, HK\$7,138,000 (2022: HK\$482,000) has been past due 90 days or more and is not considered as in default become the debtors have historical repayment records.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. The details of the ECL assessment are set out in note 6 to the consolidated financial statements.

## 20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 HK\$’000	2022 HK\$’000
Rental and utilities deposits	1,864	1,576
Prepayments to suppliers	2,863	4,912
Other prepayments	846	456
Other receivables	392	98
	<b>5,965</b>	7,042
Presented as:		
Non-current assets	1,837	696
Current assets	4,128	6,346
	<b>5,965</b>	7,042

The carrying amounts of the Group’s other receivables, deposits and prepayments are denominated in Hong Kong dollars.

The details of the ECL assessment are set out in note 6 to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 21. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2023 HK\$'000	2022 HK\$'000
Pledged bank deposits	552	–
Bank and cash balances	26,931	29,797
Fixed deposits with banks with original maturity between 4 to 12 months	8,050	–
	<b>35,533</b>	<b>29,797</b>

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 29 to the consolidated financial statements. The deposits are interest bearing at fixed rate 4.3% (2022: nil) per annum. These deposits are subject to regulatory restrictions and are therefore not available for general use by the Group.

Time deposits at 31 March 2023 represented fixed deposits with bank with original maturity between 4 to 12 months. The time deposits are interest bearing at fixed rate ranged from 3.09% to 4.3% (2022: nil) per annum as at 31 March 2023.

Cash at banks as at 31 March 2023 and 2022 carry interest at floating rates based on daily bank deposits rate per annum.

The carrying amount of pledged bank deposits, time deposits, bank and cash balances are denominated in HK\$, US\$ and Euro dollars ("EUR").

	2023 HK\$'000	2022 HK\$'000
HK\$	35,386	29,221
US\$	1	1
EUR	146	575
	<b>35,533</b>	<b>29,797</b>

## 22. 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:

	2023 HK\$'000	2022 HK\$'000
0 – 30 days	11,689	8,796
31 – 60 days	–	149
Over 60 days	300	579
	<b>11,989</b>	<b>9,524</b>

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 23. OTHER PAYABLES AND ACCRUED CHARGES

	2023 HK\$'000	2022 HK\$'000
Accrued charges	3,869	1,515
Salaries and bonus payables	2,564	1,573
	<b>6,433</b>	<b>3,088</b>

The carrying amounts of the Group's other payables and accrued charges are denominated in Hong Kong dollars.

## 24. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Receipts in advance from customers	386	440

Movements in contract liabilities:

	2023 HK\$'000	2022 HK\$'000
Balance at 1 April	440	636
Decrease in contract liabilities as a result of recognising revenue during the year which was included in the contract liabilities at the beginning of the period	(440)	(636)
Increase in contract liabilities as a result of consideration received from customers during the year	386	440
Balance at 31 March	<b>386</b>	<b>440</b>

The contract liabilities represent consideration received in advance from customers for the Group's obligation to transfer good or services to customers. The contract liabilities will be recognised as revenue when the Group transferred the control of the goods or services underlying the particular performance obligation is transferred to customers. The contract liabilities as at 31 March 2023 and 2022 is expected to be recognised within one year.

The decrease in contract liabilities as at 31 March 2023 was mainly due to reduce an advance payment from customers for ordering food and beverage grocery products at the year end.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 25. LEASE LIABILITIES

	Minimum lease payment		Present value of minimum lease payment	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Within one year	7,046	3,485	6,167	3,157
More than one year, but not exceeding two years	7,316	1,614	6,783	1,384
More than two years, but not more five years	7,060	4,176	6,839	3,926
	21,422	9,275	19,789	8,467
Less: Future finance charges	(1,633)	(808)	-	-
Present value of lease obligations	19,789	8,467	19,789	8,467
Less: Amount due within one year classified as current liabilities			(6,167)	(3,157)
Amount due after one year classified as non-current liabilities			13,622	5,310

The Group entered into lease arrangements with independent third parties in relation to certain properties. The lease terms ranged from 2 to 5 years (2022: 2 to 5 years). Incremental borrowing rates of underlying lease liabilities at the date of inception ranged from 2.5% to 5.67% and (2022: 2.5% to 5.67%) per annum as at 31 March 2023.

As at 31 March 2023, no lease liabilities are secured by the lessor's charge over the leased assets (2022: Nil).

All lease liabilities are denominated in Hong Kong dollars.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 26. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	1,162,000	11,620

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

## 27. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered the following material related party transactions:

### Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 March 2023 and 2022 were as follows:

	2023 HK\$'000	2022 HK\$'000
Short term employee benefits	11,328	8,643
Post employment benefits	169	151
	11,497	8,794



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 28. RETIREMENT BENEFITS SCHEMES

The Mandatory Provident Fund (“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 as a defined contribution scheme is available to reduce the contribution payable in future years. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK\$1,500 (2022: HK\$1,500) 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 13 to the consolidated financial statements.

## 29. SETTLEMENT GUARANTEE

As at 31 March 2023, settlement guarantee facility of HK\$552,000 (2022: HK\$420,000) was granted by a bank in favour of a 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 or (ii) submits a request to cancel the settlement guarantee to the bank.

As at 31 March 2023, the settlement guarantee facility granted to the Group was secured by the Group’s pledged bank deposits (note 21). The facilities as at 31 March 2022 was guaranteed by the Company in favour of the bank to grant the facilities to its subsidiary.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 30. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**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 27 March 2017 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 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 of directors 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 approval 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.

On 19 February 2021, a total of 112,000,000 share options were granted to the employees of the Company and its subsidiaries to subscribe for an aggregate of 112,000,000 ordinary shares of HK\$0.01 each of the Company under the Share Option Scheme, subject to acceptance of the grantees and the payment of HK\$1.00 by each of the grantees upon acceptance of the share options. The share options shall be exercised from 19 February 2021 to 18 February 2023 (both days inclusive). There was no market vesting condition or non-market performance condition associated with the options granted.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 30. SHARE OPTION SCHEME (continued)

The estimated fair values of the options granted on 19 February 2021 was HK\$15,419,000 and fully recognised in administrative and other expense for the year ended 31 March 2021. The fair value of the share option at the grant date was determined by Greater China Appraisal Limited, an independent professional valuer, calculated using Binomial Option Pricing model. The inputs into the model were as follows:

	2021
Weighted average share price	HK\$0.30
Exercise price	HK\$0.30
Expected volatility	103.7%
Expected life	2 years
Risk-free rate	0.11%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years, quoted from Bloomberg. The expected life used in the model has been adjusted, based on the valuer's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Details of the movement of share option outstanding are follows:

	Number of option	
	2023 '000	2022 '000
Outstanding at the beginning of year	112,000	112,000
Lapse during the year	(112,000)	-
Outstanding at the end of the year	-	112,000
Exercisable at the end of the year	-	112,000
Weighted average remaining contractual life	-	0.89 year

During the years ended 31 March 2023 and 2022, no share option were granted, cancelled or exercised.

During the year ended 31 March 2023, there were 112,000,000 (2022: Nil) share option lapsed.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 30. SHARE OPTION SCHEME (continued)

Movement of options, which were granted under the Share Option Scheme, during the years ended 31 March 2023 and 2022 are listed below:

### For the year ended 31 March 2023

Category	Date of grant	Vesting date	Number of Option				Outstanding as at 31/3/2023 '000	Exercise Price HK\$	Exercise Period
			Outstanding as at 1/4/2022 '000	Granted '000	Exercised '000	Lapsed '000			
Employees	19/2/2021	19/2/2021	112,000	-	-	(112,000)	-	0.30	19/2/2021-18/2/2023

### For the year ended 31 March 2022

Category	Date of grant	Vesting date	Number of Option				Outstanding as at 31/3/2022 '000	Exercise Price HK\$	Exercise Period
			Outstanding as at 1/4/2021 '000	Granted '000	Exercised '000	Lapsed '000			
Employees	19/2/2021	19/2/2021	112,000	-	-	-	112,000	0.30	19/2/2021-18/2/2023

At 31 March 2023, the Company had no share options outstanding under the Share Option Scheme. At 31 March 2022, the Company had 112,000,000 share options outstanding under the Share Option Scheme, which represented approximately 9.64% of the Company's shares in issue at that date and had a weighted average remaining contractual life of 0.89 year.

## 31. SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Class of shares held	Place of incorporation/ registration and business	Issued and fully paid share capital	2023		2022		Principal activities
				Direct	Indirect	Direct	Indirect	
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 Investments Limited	Ordinary	BVI, limited liability company	US\$10,000	-	100%	-	100%	Holding of trademark and other intellectual property rights for the Group
Perfect Epoch Enterprises Limited	Ordinary	BVI, limited liability company	US\$50,000	100%	-	100%	-	Dormant
Food Boy Restaurants Limited	Ordinary	HK, limited liability company	HK\$10,000	-	100%	-	100%	Inactive
Food Boy Holdings Limited	Ordinary	HK, limited liability company	HK\$10,000	-	100%	-	100%	Investment holding

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transaction

During the year ended 31 March 2023, the Group acquired a motor vehicle at consideration of HK\$386,000 (2022: nil) which was settled by cash of HK\$236,000 and trade-in of existing motor vehicle at trade in price of HK\$150,000.

During the year, the Group entered into new lease agreements for the use of leased properties for 2 to 3.6 years. On the lease commencement, the Group recognised right-of-use assets of approximately HK\$15,998,000 (2022: HK\$7,198,000) and lease liabilities of approximately HK\$15,828,000 (2022: HK\$7,064,000). The difference between the right-of-use assets and lease liabilities is arising from the variance of HK\$170,000 (2022: HK\$134,000) between the initial fair value and the nominal value of the deposit accounted for as additional lease payments made during the year ended 31 March 2023.

### (b) 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.

	<b>Lease liabilities (note 25) HK\$'000</b>
At 1 April 2021	8,044
Lease liabilities raised	7,064
Disposal	(2,168)
COVID-19 Related rent concessions	(133)
Repayment of lease liabilities	(4,340)
Interest paid	(499)
Finance costs (note 12)	499
At 31 March 2022 and 1 April 2022	8,467
Lease liabilities raised	15,828
COVID-19 Related rent concessions	(37)
Repayment of lease liabilities	(4,469)
Interest paid	699
Finance costs (note 12)	(699)
At 31 March 2023	19,789



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2023 HK\$'000	2022 HK\$'000
Within operating cash flows	455	721
Within financing cash flows	5,168	4,839
	5,623	5,560

These amounts relate to the following:

	2023 HK\$'000	2022 HK\$'000
Lease rental paid	5,623	5,560

## 33. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

The Group regularly entered into a short-term leases for warehouse. As at 31 March 2023, the outstanding lease commitment relating to warehouse is approximately HK\$140,000 (2022: nil).

At 31 March 2023, the Group entered into new leases for warehouse that are not yet commenced, with average non-cancellable period ranged from 0.2 to 3.6 years (2022: nil), the total future undiscounted cash flows over the non-cancellable period amounted to HK\$5,915,000 (2022: nil).



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

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

	Note	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Investment in subsidiaries		32,510	32,510
<b>Current assets</b>			
Prepayments, deposits and other receivables		117	117
Amounts due from subsidiaries		40,243	43,754
Bank and cash balances		3,356	5,905
		43,716	49,776
<b>Current liabilities</b>			
Other payables and accrued charges		2,441	142
Amounts due to subsidiaries		15,796	18,918
		18,237	19,060
<b>Net current assets</b>		<b>25,479</b>	30,716
<b>NET ASSETS</b>		<b>57,989</b>	63,226
<b>Capital and Reserves</b>			
Share capital	26	11,620	11,620
Reserves	34(b)	46,369	51,606
<b>TOTAL EQUITY</b>		<b>57,989</b>	63,226

Approved and authorised for issue by the board of directors on 26 June 2023 and signed on its behalf by:

Mr. Wong Siu Man  
Director

Mr. Wong Siu Wa  
Director



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

### (b) Reserves movements of the Company

	Share premium HK\$'000	Share based- payments reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2021	57,060	15,419	29,966	(48,507)	53,938
Loss and total comprehensive loss for the year	-	-	-	(2,332)	(2,332)
Changes in equity for the year	-	-	-	(2,332)	(2,332)
At 31 March 2022 and 1 April 2022	57,060	15,419	29,966	(50,839)	51,606
Loss and total comprehensive loss for the year	-	-	-	(5,237)	(5,237)
Lapse of share options	-	(15,419)	-	15,419	-
Changes in equity for the year	-	(15,419)	-	10,182	(5,237)
At 31 March 2023	57,060	-	29,966	(40,657)	46,369



## Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for the five years ended 31 March 2019, 2020, 2021, 2022 and 2023:

### RESULTS

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Consolidated results summary</b>					
Revenue	286,244	241,372	227,709	204,368	213,926
(Loss)/profit before taxation	(3,940)	(1,538)	(14,376)	(3,280)	4,931
Income tax expense	(468)	(599)	(242)	(293)	(1,022)
(Loss)/profit and total comprehensive (loss)/income for year	(4,408)	(2,137)	(14,618)	(3,573)	3,909
(Loss)/profit and total comprehensive (loss)/income for year attributable to:					
– Owners of the Company	(4,408)	(2,137)	(14,618)	(3,573)	3,909
– Non-controlling interests	–	–	–	–	–
	(4,408)	(2,137)	(14,618)	(3,573)	3,909

### ASSETS AND LIABILITIES

	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	23,991	11,707	13,363	11,609	4,571
Current assets	111,613	111,456	110,700	107,311	110,065
Current liabilities	(24,975)	(16,438)	(16,616)	(12,911)	(8,094)
Non-current liabilities	(13,622)	(5,310)	(3,895)	(3,258)	(218)
Total net assets	97,007	101,415	103,552	102,751	106,324
Equity attributable to:					
– Owners of the Company	97,007	101,415	103,552	102,751	106,324
– Non-controlling interests	–	–	–	–	–
Total equity	97,007	101,415	103,552	102,751	106,324